96/113

UNEMPLOYMENT COMPENSATION BILLS

HEARING

BEFORE THE

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

OF THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

SECOND SESSION

ON

H.R. 6540 H.R. 6690 H.R. 7529

JUNE 26, 1980

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UNEMPLOYMENT COMPENSATION BILLS

THURSDAY, JUNE 26, 1980

House of Representatives,
Committee on Ways and Means,
Subcommittee on Public Assistance
and Unemployment Compensation,
Washington, D.C.

The subcommittee met at 10:15 a.m., pursuant to notice, in room B-318, Rayburn House Office Building, Hon. James C. Corman (chairman of the subcommittee) presiding.

[Press release announcing the hearing follows:]

[Press release of Thursday, June 12, 1980]

James C. Corman, Chairman, Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means, Today Announced That the Hearings on Unemployment Compensation Bills H.R. 6540 (Mr. Brodhead), H.R. 7529 (Ms. Schroeder), and H.R. 6690 (Mr. Hillis) Will be Held on Thursday, June 26, in Room B-318 Rayburn Office Building, Beginning at 10 A.M. Advance Notice of These Hearings Was Given in a Press Release Dated Tuesday, June 10

James C. Corman, Chairman, Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means, today announced Thursday, June 26, 1980, as the date for the public hearings on the following unemployment compensation bills: H.R. 6540 (Mr. Brodhead), the "Emergency Unemployment Compensation Act of 1980;" H.R. 7529 (Ms. Schroeder), the "Short-Time Unemployment Compensation Act of 1980;" and H.R. 6690 (Mr. Hillis), the "Emergency Unemployment Compensation Act of 1980." The hearings will begin at 10 A.M. in Room B-318 of the Rayburn Office Building.

Advance notice of these hearings and a summary of the bills to be considered was provided in a press release dated June 10, 1980. Those wishing to testify at these hearings should inform the Committee on Ways and Means, as specified in the June 10 press release, by June 20, 1980.

Mr. Corman. The subcommittee will come to order. This is a meeting of the Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means. We meet this morning to take testimony on H.R. 6540, H.R. 7529 and H.R. 6690.

The Chair would announce that we probably will go straight through the day. Regrettably because of time limitations other subcommittees are meeting at the same time and we will not have full attendance. We have a lot of witnesses to hear, so those of you who have complete statements may submit them for the record and summarize your testimony so as to give us more opportunity to develop a dialog with you.

[The bills, H.R. 6540, H.R. 7529, and H.R. 6690, and the explanations are as follows:]

[H.R. 6540, 96th Congress, 2d session]

A BILL To provide a program of emergency unemployment compensation

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Emergency Unemployment Compensation Act of 1980".

FEDERAL-STATE AGREEMENTS

SEC. 2. (a) Any State, the State unemployment compensation law of which is approved by the Secretary of Labor (hereinafter in this Act referred to as the "Secretary") under section 3304 of the Internal Revenue Code of 1954 which desires to do so, may enter into and participate in an agreement with the Secretary under this Act, if such State law contains (as of the date such agreement is entered into) a requirement that extended compensation be payable thereunder as provided by the Federal-State Extended Unemployment Compensation Act of 1970. Any State which is a party to an agreement under this Act may, upon providing thirty days' written notice to the Secretary, terminate such agreement.

(b) Any such agreement shall provide that the State agency of the State will make payments of emergency compensation—

(1) to individuals who—

(A) (i) have exhausted all rights to regular compensation under the State law;

(ii) have exhausted all rights to extended compensation, or are not entitled thereto, because of the ending of their eligibility period for extended compensation, in such State;

(B) have no rights to compensation (including both regular compensation and extended compensation) with respect to a week under such law or any other State unemployment compensation law or to compensation under any other Federal law; and

(C) are not receivoing compensation with respect to such week under the unemployment compensation law of Canada,

(2) for any week of unemployment which—

(A) begins in—

(i) an emergency benefit period (as defined in subsection (c) (3)), and

(ii) the individual's period of eligibility (as defined in section 5(a) (2)); or

(B) begins in an individual's additional eligibility period (as defined in section 5(a) (4));

except that no payment of emergency compensation shall be made to any individual for any week of unemployment which begins more than two years after the end of the benefit year for which he exhausted his rights to regular compensation.

(c) (1) For purposes of subsection (b) (1) (A), an individual shall be deemed to have exhausted his rights to regular compensation under a State law when—

(A) no payments of regular compensation can be made under such law because such individual has received all regular compensation available to him based on employment or wages during his base period; or

(B) his rights to such compensation have been terminated by reason of the expiration of the benefit year with respect to which such rights existed.

(2) For purposes of subsection (b) (1) (B), an individual shall be deemed to have exhausted his rights to extended compensation under a State law when no payments of extended compensation under a State law can be made under such law because such individual has received all the extended compensation available to him from his extended compensation account (as established under State law in accordance with section 202(b) (1) of the Federal-State Extended Unemployment Compensation Act of 1970).

(3) (A) (i) For purposes of subsection (b) (2) (A), in the case of any State, an emergency benefit period—

(I) shall begin with the third week after a week for which there is a State "emergency on" indicator; and

(II) shall end with the third week after the first week for which there is a State "emergency off" indicator.

(ii) In the case of any State, no emergency benefit period shall last for a period of less than thirteen consecutive weeks.

(iii) When a determination has been made that an emergency benefit period is beginning or ending with respect to any State, the Secretary shall cause notice of such determination to be published in the Federal Register.

(B)(i) For purposes of subparagraph (A), there is a State "emergency on" indicator for a week if the rate of insured unemployment in such State for the period consisting of such week and the immediately preceding twelve weeks equaled or exceeded 5 per centum.

(ii) For purposes of subparagraph (A), there is a State "emergency off" indicator for a week if the rate of insured unemployment in such State for the period consisting of such week and the immediately preceding twelve weeks is less than 5 per centum.

(d) For purposes of any agreement under this Act—

(1) the amount of the emergency compensation which shall be payable to any individual for any week of total unemployment shall be equal to the amount of the regular compensation (including dependents' allowances) payable to him during his benefit year under the State law; and

(2) the terms and conditions of the State law which apply to claims for regular compensation and to the payment thereof shall (except where in consistent with the provisions of this Act or regulations of the Secretary promulgated to carry out this Act) apply to claims for emergency compensation and the payment thereof.

(e)(1) Any agreement under this Act with a State shall provide that the State will establish, for each eligible individual who files an application for emergency compensation, an emergency compensation account with respect to such individual's benefit year.

(2) The amount established in such account for any individual shall be equal to the lesser of—

(A) 50 per centum of the tital amount of regular compensation (including dependents' allowances) payable to him with respect to the benefit year (as determined under the State law) on the basis of which he most recently received regular compensation; or

(B) thirteen times his average weekly benefit amount (as determined for purposes of section 202(b)(1)(C) of the Federal-State Extended Unemployment Compensation Act of 1970) for his benefit year.

(f) No emergency compensation shall be payable to any individual under an agreement entered into under this Act for any week beginning before whichever of the following is the later:

(1) the week following the week in which such agreement is entered into, or

(2) the first week which begins after the date of the enactment of this Act.

PAYMENTS TO STATES HAVING AGREEMENTS FOR THE PAYMENT OF EMERGENCY COMPENSATION

SEC. 3. (a) There shall be paid to each State which has entered into an agreement under this Act an amount equal to 100 per centum of the emergency compensation paid to individuals by the State pursuant to such agreement.

(b) No payment shall be made to any State under this section in respect of compensation to the extent the State is entitled to reimbursement in respect of such compensation under the provisions of any Federal law other than this Act.

(c) Sums payable to any State by reason of such State's having an agreement under this Act shall be payable, either in advance or by way of reimbursement (as may be determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this Act for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which would have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

FINANCING PROVISIONS

SEC. 4. (a) The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this

Act. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payments to the State in accordance with such certification, by transfers from the funds appropriated pursuant to subsection (b) to the account of such State in the Unemployment Trust Fund.

(b) There are hereby authorized to be appropriated from the general fund of the Treasury, without fiscal year limitation, such sums as may be necessary to carry out the purposes of this Act.

DEFINITIONS

SEC. 5. (a) For purposes of this Act—

(1) the terms "compensation", "regular compensation", "extended compensation", "base period", "benefit year", "State", "State agency", "State law", and "week" shall have the meanings assigned to them under section 205 of the Federal-State Extended Unemployment Compensation Act of 1970;

(2) the term "period of eligibility" means, in the case of any individual, the weeks in his benefit year which began in an extended benefit period or an emergency benefit period and, if his benefit year ends within such extended benefit period, any weeks thereafter which begin in such extended benefit period or in such emergency benefit period;

(3) the term "extended benefit period" shall have the meaning assigned to such term under section 203 of the Federal-State Extended Unemployment Compensation Act of 1970;

(4) the term "additional eligibility period" means the thirteen-week period following the week in which an emergency benefit period ends in a State, as determined under section 2(c)(3); but no individual shall have an additional eligibility period unless there was payable to him in such State, for the week in which such emergency benefit period ended, either emergency compensation under this Act or extended compensation under the Federal-State Extended Unemployment Compensation Act of 1970;

(5) the term "rate of insured unemployment" means the percentage arrived at by dividing the average weekly number of individuals filing claims (including claims for extended compensation and additional compensation) for weeks of unemployment with respect to the specified period (as determined on the basis of the reports made by the State agency to the Secretary) by the average monthly covered employment for the specified period;

(6) the rate of insured unemployment for any thirteen-week period shall be determined by reference to the average monthly covered employment under the State law for the first four of the most recent six calendar quarters ending before the close of such period; and

(7) determinations with respect to the rate of insured unemployment in a State shall be made by the State agency in accordance with regulations prescribed by the Secretary.

For purposes of any State law which refers to an extension under Federal law of the duration of benefits under the Federal-State Extended Unemployment Compensation Act of 1970, this Act shall be treated as amendatory of such Act.

(b)(1) If an individual knowingly has made, or caused to be made by another, a false statement or representation of a material fact, or knowingly has failed, or caused another to fail, to disclose a material fact, and as a result of such false statement or representation or of such nondisclosure such individual has received an amount of emergency compensation under this Act to which he was not entitled, such individual—

(A) shall be ineligible for further emergency compensation under this Act in accordance with the provisions of the applicable State unemployment compensation law relating to fraud in connection with a claim for unemployment compensation; and

(B) shall be subject to prosecution under section 1001 of title 18, United States Code.

(2)(A) In the case of individuals who have received amounts of emergency compensation under this Act to which they were not entitled, the State is authorized to require such individuals to repay the amounts of such emergency compensation to the State agency, except that the State agency may waive such repayment if it determines that—

(i) the payment of such emergency compensation was without fault on the part of any such individual, and

(ii) such repayment would be contrary to equity and good conscience.

(B) The State agency may recover the amount to be repaid or any part thereof, by deductions from any emergency compensation payable to such individual under this Act or from any unemployment compensation payable to such individual under any Federal unemployment compensation law administered by the State agency or under any other Federal law administered by the State agency which provides for the payment of any assistance or allowance with respect to any week of unemployment, during the three-year period after the date such individuals received the payment of the emergency compensation to which they were not entitled, except that no single deduction may exceed 50 per centum of the weekly benefit amount from which such deduction is made.

(C) No repayment shall be required, and no deduction shall be made, until a determination has been made, notice thereof and an opportunity for a fair hearing has been given to the individual, and the determination has become final.

(3) Any determination by a State agency under paragraph (1) or (2) shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in that manner and to that extent.

Explanation of H.R. 6540—The Emergency Unemployment Compensation Act of 1980 (Mr. Brodhead)

H.R. 6540 would provide an additional 13 weeks of emergency unemployment benefits to individuals who have exhausted both regular unemployment benefits (26 weeks) and extended benefits (13 weeks) when the State's insured unemployment rate reaches 5 percent.

Trigger.—State insured unemployment rate reaches 5 percent over a 13 week period.

Benefit duration.—Up to 13 weeks of "emergency benefits."

Qualifying conditions.—Benefits would be payable when an individual has exhausted both regular unemployment benefits (26 weeks) and extended benefits (13 weeks).

Eligibility conditions.—Same as under applicable State law.

Benefit amount.—Same as for regular unemployment insurance under applicable State law.

Financing.—Federal funding from general revenues.

[H.R. 7529, 96th Congress, 2d session]

A BILL To encourage States to provide unemployment benefits to certain partially unemployed workers

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Short-Time Unemployment Compensation Act of 1980".

SEC. 2. STATEMENT OF PURPOSE.

It is the purpose of this Act to encourage States to provide partial unemployment benefits to individuals whose workweek is reduced pursuant to an employer plan under which such reductions are made in lieu of total layoffs.

SEC. 3. DEVELOPMENT OF STATE PROGRAMS.

(a) Responsibilities of the Secretary of Labor.—

(1) The Secretary of Labor (hereinafter in this Act referred to as the "Secretary") shall develop legislation which may be used by States as a model in developing and enacting short-time compensation programs.

(2) The Secretary may make grants, and provide technical assistance, to States to assist in developing, enacting, and implementing short-time compensation programs.

(3) States are encouraged to experiment in carrying out the purpose and intent of this Act. However, to assure minimum uniformity, the Secretary may require the provisions contained in subsections (b) and (c).

(b) Short-Time Compensation Program.—For purposes of this Act, the term "short-time compensation program" means a program under which—

(1) individuals whose workweek has been reduced pursuant to a qualified employer plan by at least 10 per centum will be eligible for unemployment benefits,

(2) the amount of unemployment benefits payable to any such individual shall be at least a pro rata portion of the unemployment benefits which would be payable to the individual if the individual were totally unemployed,

(3) short-time compensation benefits attributable to services with employers who have positive reserve accounts shall be financed by the usual manner of charging reserve accounts by experience rating,

(4) employers with negative reserve accounts may be required by the State to make reimbursement to the trust fund quarterly for costs attributable to utilization of short-time compensation benefits charged against their reserve accounts or charged a surtax by the State,

(5) eligible employees may apply for and collect short-time compensation or regular unemployment compensation benefits, as needed; but no employee may collect more than the maximum unemployment compensation benefit to which they would have been entitled for full-time unemployment, and

(6) eligible employees will not be expected to meet the availability for work or work search test requirement while collecting short-time compensation benefits. However, they must be available for their normal workweek.

(c) QUALIFIED EMPLOYER PLAN.—For purposes of subsection (b), the term "qualified employer plan" means a plan of an employer under which there is a reduction in the number of hours worked by employees rather than total layoffs if—

(1) the employer's short-time compensation plan is approved by the State agency,

(2) the employer certifies to the State agency that the aggregate reduction in work hours pursuant to such plan is in lieu of total layoffs which would result in an equivalent reduction of work hours,

(3) the employer continues to provide health and pension benefits to employees whose workweek is reduced under such plan at the same level as provided before such reduction, and

(4) in the case of employees represented by a union, the appropriate official of the union (or union hall) has consented to the plan and implementation is consistent with employer obligations under the National Labor Relations Act.

(d) STATE.—For purposes of this Act, the term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, and the Virgin Islands.

SEC. 4. DEMONSTRATION PROJECTS.

(a) GENERAL RULE.—The Secretary shall conduct one or more controlled demonstration projects for purposes of evaluating the effectiveness of short-time compensation programs.

(b) PROJECTS CONDUCTED IN COOPERATION WITH STATE AGENCY.—Any demonstration project under subsection (a) shall be conducted in cooperation with the State agency which administers the unemployment compensation law for the State in which such project is conducted.

(c) COSTS PAID BY SECRETARY.—The costs of administering any demonstration project conducted under subsection (a), and of the benefits paid under such project, shall be paid by the Secretary.

SEC. 5. REPORTS.

(a) INTERIM REPORTS.—The Secretary shall submit to the Congress two interim reports on the implementation of this Act. The first of such interim reports shall be submitted on or before October 1, 1982.

(b) FINAL REPORT.—Not later than October 1, 1983, the Secretary shall submit to the Congress and to the President a final report on the implementation of this Act. Such report shall contain an evaluation of short-time compensation programs and shall contain such recommendations as the Secretary deems advisable.

SEC. 6. AUTHORIZATION OF APPROPRIATIONS.

For the fiscal year beginning October 1, 1980, and the two succeeding fiscal years, there are authorized to be appropriated from the general fund of the

Treasury such sums (not to exceed a total of $10,000,000) as may be necessary to carry out the purposes of this Act.

EXPLANATION OF H.R. 7529—THE SHORT-TIME COMPENSATION ACT OF 1980 (MS. SCHROEDER)

H.R. 7529 authorizes a program of Short-Time Unemployment Compensation to encourage worksharing and avoid layoffs. The Secretary of Labor would be authorized to establish demonstration projects to encourage States to provide jobless benefits to partially unemployed workers. The provision would permit payment of prorated unemployment insurance benefits to employees who are laid off for a portion of the week as a part of a program to avoid total layoffs.

The bill authorizes the Secretary of Labor to develop legislation which may be used by States as a model in developing and enacting short-time compensation programs. For the purposes of this act, the term "short-term compensation program" means a program which includes the following:

> Eligible individuals: Persons whose workweek has been reduced pursuant to a qualified employer plan by at least 10 percent.
>
> Amount of benefit: A pro rata portion of the unemployment benefit payable if such individual were totally unemployed.
>
> Financing: Benefits attributable to employers who have positive reserve accounts would be financed in the usual manner by charging reserve accounts through experience rating. Employers with negative reserve accounts may be required by the State at the end of the year to make full reimbursement to the Trust Fund or would be charged a surtax.

Qualified employer plan.—An approved plan under which the employer certifies that a reduction in the number of hours worked by employees is in lieu of layoffs which would result in an equivalent reduction in work hours. The employer must also certify that an individual on short-time compensation will not be deprived of entitlement to health benefits or to pension credits. In the case of union employees, the union would have to consent to the implementation of the plan.

Grants and technical assistance.—The Secretary is authorized to make grants and provide technical assistance to States in developing, enacting and implementing short-time compensation programs.

Demonstration projects.—The Secretary would be required to conduct one or more demonstration projects in cooperation with the State unemployment compensation agency.

Reports.—The Secretary would be required to submit two interim reports, the first of such interim reports to be submitted on or before October 1, 1932, and a final report on October 1, 1983 evaluating the short-time compensation program and making recommendations to the Congress.

Authorization of appropriation.—For fiscal years 1981–1983, there would be authorized a sum not to exceed $10 million as necessary to carry out the purposes of the Act.

[H.R. 6690, 96th Congress, 2d session]

A BILL To provide a program of emergency unemployment compensation for areas experiencing high rates of unemployment

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Emergency Unemployment Compensation Act of 1980."

FEDERAL-STATE AGREEMENTS

SEC. 2. (a) Any State, the State unemployment compensation law of which is approved by the Secretary of Labor (hereinafter in this Act referred to as the "Secretary") under section 3304 of the Internal Revenue Code of 1954 which desires to do so, may enter into and participate in an agreement with the Secretary under this Act, if such State law contains (as of the date such agreement is entered into) a requirement that extended compensation be payable thereunder as provided by the Federal-State Extended Unemployment Compensation

Act of 1970. Any State which is a party to an agreement under this Act may, upon providing thirty days' written notice to the Secretary, terminate such agreement.

(b) Any such agreement shall provide that the State agency of the State will make payments of emergency compensation—

(1) to individuals who—

(A) have exhausted all rights to regular compensation under the State law;

(B) have no rights to compensation (including both regular compensation and extended compensation) with respect to a week under such law or any other State unemployment compensation law or to compensation under any other Federal law; and

(C) are not receiving compensation with respect to such week under the employment compensation law of Canada,

(2) for any week of unemployment which begins in—

(A) an emergency benefit period (as defined in subsection (c)(2)), and

(B) the individual's period of eligibility (as defined in section 5(a)(2));

except that no payment of emergency compensation shall be made to any individual for any week of unemployment which begins more than two years after the end of the benefit year for which he exhausted his rights to regular compensation.

(c)(1) For purposes of subsection (b)(1)(A), an individual shall be deemed to have exhausted his rights to regular compensation under a State law when—

(A) no payments of regular compensation can be made under such law because such individual has received all regular compensation available to him based on employment or wages during his base period; or

(B) his rights to such compensation have been terminated by reason of the expiration of the benefit year with respect to which such rights existed.

(2)(A)(i) For purposes of subsection (b)(2)(A), in the case of any area of a State, an emergency benefit period—

(I) shall begin with the third week after a week for which there is an area "emergency on" indicator; and

(II) shall end with the third week after the first week for which there is an area "emergency off" indicator.

(ii) In the case of any area of a State, no emergency benefit period shall last for a period of less than 26 consecutive weeks.

(iii) Whem a determination has been made that an emergency benefit period is beginning or ending with respect to any area of a State, the Secretary shall cause notice of such determination to be published in the Federal Register.

(B)(i) For purposes of subparagraph (A), there is an area "emergency on" indicator for a week if the rate of insured unemployment in such area for the period consisting of such week and the immediately preceding three weeks equaled or exceeded 10 per centum.

(ii) For purposes of subparagraph (A), there is an area "emergency off" indicator for a week if the rate of insured unemployment in such area for the period consisting of such week and the immediately preceding three weeks is less than 10 per centum.

(d) For purposes of any agreement under this Act—

(1) the amount of the emergency compensation which shall be payable to any individual for any week of total unemployment shall be equal to the amount of the regular compensation (including dependents' allowances) payable to him during his benefit year under the State law; and

(2) the terms and conditions of the State law which apply to claims for regular compensation and to the payment thereof shall (except where inconsistent with the provisions of this Act or regulations of the Secretary promulgated to carry out this Act) apply to claims for emergency compensation and the payment thereof.

(e)(1) Any agreement under this Act with a State shall provide that the State will establish, for each eligible individual who files an application for emergency compensation, an emergency compensation account with respect to such individual's benefit year.

(2) The amount established in such account for any individual shall be equal to the lesser of—

(A) 100 per centum of the total amount of regular compensation (including dependents' allowances) payable to him with respect to the benefit year (as determined under the State law) on the basis of which he most recently received regular compensation; or

(B) twenty-six times his average weekly benefit amount (as determined for purposes of section 202(b)(1)(C) of the Federal-State Extended Unemployment Compensation Act of 1970) for his benefit year.

(f) No emergency compensation shall be payable to any individual under an agreement entered into under this Act for any week beginning before whichever of the following is the later:

(1) the week following the week in which such agreement is entered into, or

(2) the first week which begins after the date of the enactment of this Act.

PAYMENTS TO STATES HAVING AGREEMENTS FOR THE PAYMENT OF EMERGENCY COMPENSATION

SEC. 3. (a) There shall be paid to each State which has entered into an agreement under this Act an amount equal to 100 per centum of the emergency compensation paid to individuals by the State pursuant to such agreement.

(b) No payment shall be made to any State under this section in respect of compensation to the extent the State is entitled to reimbursement in respect of such compensation under the provisions of any Federal law other than this Act.

(c) Sums payable to any State by reason of such State's having an agreement under this Act shall be payable, either in advance or by way of reimbursement (as may be determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to received under this Act for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which would have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

FINANCING PROVISIONS

SEC. 4. (a) The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this Act. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payments to the State in accordance with such certification, by transfers from the funds appropriated pursuant to subsection (b) to the account of such State in the Unemployment Trust Fund.

(b) There are hereby authorized to be appropriated from the general fund of the Treasury, without fiscal year limitation, such sums as may be necessary to carry out the purposes of this Act.

DEFINITIONS

SEC. 5. (a) For purposes of this Act—

(1) the terms "compensation", "regular compensation", "extended compensation", "base period", "benefit year", "State", "State agency", "State law", and "week" shall have the meanings assigned to them under section 205 of the Federal-State Extended Unemployment Compensation Act of 1970;

(2) the term "period of eligibility" means, in the case of any individual, the weeks in his benefit year which begin in an emergency benefit period and, if his benefit year ends within such emergency benefit period, any weeks thereafter which begin in such emergency benefit period;

(3) the term "area" means, with respect to any State—

(A) a labor market area or part of a labor market area which is located within such State, and

(B) all other parts of such State which are not located within any labor market area;

(4) the term "labor market area" means any area (determined without regard to paragraph (3)) designated by the Secretary as being a contiguous population center with a population of at least 50,000 individuals;

(5) the term "rate of insured unemployment" means the percentage arrived at by dividing

(A) the average weekly number of individuals who are filing claims for weeks of unemployment with respect to the specified period and whose last employment during their base periods was in the area (as determined on the basis of the reports made by the State agency to the Secretary), by

(B) the average monthly covered employment in the area for the specified period;

(6) the rate of insured unemployment for any four-week period shall be determined by reference to the average monthly covered employment in the area under the State law for the first four of the most recent six calendar quarters ending before the close of such period; and

(7) determinations with respect to the rate of insured unemployment in any area of a State shall be made by the State agency in accordance with regulations prescribed by the Secretary.

For purposes of any State law which refers to an extension under Federal law of the duration of benefits under the Federal-State Extended Unemployment Compensation Act of 1970, this Act shall be treated as amendatory of such Act.

(b) For purposes of this Act, to the extent that an emergency benefit period is not in effect in all areas of a State, the determination of an individual's period of eligibility or of whether there is an emergency benefit period applicable to the individual shall be made by reference to the area in which the individual was last employed during the base period for the benefit year with respect to which such individual most recently received regular compensation.

(c) (1) If an individual knowingly has made, or caused to be made by another, a false statement or representation of a material fact, or knowingly has failed, or caused another to fail, to disclose a material fact, and as a result of such false statement or representation or of such nondisclosure such individual has received an amount of emergency compensation under this Act to which he was not entitled, such individual—

(A) shall be ineligible for further emergency compensation under this Act in accordance with the provisions of the applicable State unemployment compensation law relating to fraud in connection with a claim for unemployment compensation; and

(B) shall be subject to prosecution under section 1001 of title 18, United States Code.

(2) (A) In the case of individuals who have received amounts of emergency compensation under this Act to which they were not entitled, the State is authorized to require such individuals to repay the amounts of such emergency compensation to the State agency, except that the State agency may waive such repayment if it determines that—

(i) the payment of such emergency compensation was without fault on the part of any such individual, and

(ii) such repayment would be contrary to equity and good conscience.

(B) The State agency may recover the amount to be repaid, or any part thereof, by deductions from any emergency compensation payable to such individual under this Act or from any unemployment compensation payable to such individual under any Federal unemployment compensation law administered by the State agency or under any other Federal law administered by the State agency which provides for the payment of any assistance or allowance with respect to any week of unemployment, during the three-year period after the date such individuals received the payment of the emergency compensation to which they were not entitled, except that no single deduction may exceed 50 per centum of the weekly benefit amount from which such deduction is made.

(C) No repayment shall be required, and no deduction shall be made, until a determination has been made, notice thereof and an opportunity for a fair hearing has been given to the individual, and the determination has become final.

(3) Any determination by a State agency under paragraph (1) or (2) shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in that manner and to that extent.

EXPLANATION OF H.R. 6690—THE EMERGENCY UNEMPLOYMENT COMPENSATION ACT OF 1980 (MR. HILLIS)

H.R. 6690 would provde an additional 26 weeks of emergency unemployment benefits to individuals who have exhausted both regular unemployment benefits

(26 weeks) and extended benefits (13 weeks) when the insured unemployment rate for a labor market area reaches 10 percent.

Trigger.—When insured unemployment rate in the labor market area equals or exceeds 10 percent. A labor market area is either a continuous population center with a population of at least 50,000 or all other areas of a State not in the population center.

Benefit duration.—Up to 26 weeks of emergency benefits.

Qualifying conditions.—When the individual has exhausted all regular (26 weeks) and extended benefits (13 weeks).

Eligibility conditions.—Same as under applicable State law.

Benefit amount.—Same as regular unemployment insurance paid by State.

Financing.—Federal funding from general revenues.

Mr. **Corman**. Mr. Brodhead, did you wish to make a statement? One of these bills is yours.

Mr. **Brodhead**. Well, my bill, H.R. 6540, would provide an additional 13 weeks of emergency unemployment benefits. And I would be most anxious to hear what the witnesses have to say about it. We certainly have a very urgent problem in the State of Michigan at the present time and I am anxiously awaiting the hearings.

Thank you, Mr. Chairman.

Mr. **Corman**. Our first witness is William B. Lewis, Administrator for Unemployment Insurance Services, U.S. Department of Labor. We are pleased to welcome you to the committee. You might like to identify your companions for the record.

STATEMENT OF WILLIAM B. LEWIS, ADMINISTRATOR FOR UNEMPLOYMENT INSURANCE SERVICES, DEPARTMENT OF LABOR, ACCOMPANIED BY STEVE WANDNER, DEPUTY DIRECTOR OF THE OFFICE OF RESEARCH, LEGISLATION AND POLICIES, UNEMPLOYMENT INSURANCE SERVICES, AND JIM VAN ERDEN, ACTUARIAL DIVISION

Mr. **Lewis**. Good morning, Mr. Chairman. I would like to first introduce to you my colleagues. To my left, Mr. Steve Wandner, who is Deputy Director of the Office of Research, Legislation and Policies in the Unemployment Insurance Service; and to my right Mr. Jim Van Erden of our Actuarial Division.

As you suggest, Mr. Chairman, I would like to submit my statement for the record and just briefly summarize and make some of the points that are in the statement.

Mr. **Corman**. Fine, the full statement plus your remarks will appear in the record.

Mr. **Lewis**. We do appreciate the opportunity to present the administration's position on extending unemployment benefits beyond the 39th week and the proposal to provide authority for experimentation with worksharing and unemployment compensation plans.

First, I would like to make some points that are relevant to H.R. 6540, introduced by Mr. Brodhead, and H.R. 6690, introduced by Mr. Hillis.

At this time, we would not favor authorizing any program of supplemental benefits beyond 39 weeks. There are two major reasons for that. First of all, the programs that are now in place, we believe, are doing their job. Second, that any such legislation would have major budget and stimulus implications which, we believe, should be considered along with other stimulus alternatives if economic conditions seem to warrant.

To the first observation that the basic programs of State benefits and extended benefits are doing what they were intended to do, we reached that conclusion for four reasons. First, while the rise in joblessness and initial claim has been sharp, it has also been very recent.

Second, the seasonably adjusted insured unemployment rate stood at 4.3 percent for May and is not now sufficiently high to trigger extended benefits up to 39 weeks nationally.

Next, I would observe that extended benefits are now triggered on in 18 States, but 8 of those were just triggered on this month and another 6 triggered on only in March. And while these States were triggering on, two States triggered off.

For your convenience under tabs I and J in your briefing book the trigger on information is displayed.

Fourth, at present the data we have on claimants who are exhausting benefits would not support a national program of benefits beyond 39 weeks. While there has been some increase in exhaustions compared with last year, the major impact has been in a few locations, mainly reflecting the early focus of the recession in autos and construction.

Exhaustion ratios measure those individuals who are exhausting benefits relative to new claimants entering the program. They tend to provide one indication of the degree of protection being provided by unemployment compensation. Over the past 20 years, the exhaustion ratio has ranged from a low of 18 percent, which was in 1966, to a high of about 38 percent, which occurred in 1975 and 1976.

Our most recent data shows the ratio is just over 27 percent, which is about the same as 1978 and only marginally higher than last year.

In further historical perspective, I would point out that this measure is 30 percent below the recession highs of 1975–76 and only 10 percent above the long-term period of 1960–73, which had periods of both recession and recovery.

I would now like to turn to H.R. 7529. This was introduced by Representative Schroeder to authorize and finance the development of work-sharing systems. Although we believe the concept of work-sharing has merit, we are not in a position to make recommendations on work sharing at this time. The reasons for that are that we have been conducting some research under existing authority in work-sharing systems.

As you know, the California Employment Development Department is experimenting with this approach. We understand that this project is scheduled for evaluation around January of 1981. We are considering a demonstration program under existing authority which, if conducted, would be linked to a rigorous research design.

Thank you, Mr. Chairman. We would be pleased to answer any questions that we might be able to address.

[The prepared statement follows:]

STATEMENT OF WILLIAM B. LEWIS, ADMINISTRATOR, UNEMPLOYMENT INSURANCE SERVICE, EMPLOYMENT AND TRAINING ADMINISTRATION, U.S. DEPARTMENT OF LABOR

Mr. Chairman and members of the subcommittee, thank you for the opportunity to appear before you today to present the Administration's position on extending unemployment benefits beyond the 39th week and the proposal to provide authority for experimentation on work-sharing/unemployment compensation plans.

Mr. Chairman, we are sensitive to the fact that both the total unemployment rate and initial claims for benefits have increased significantly over the past 2 months. In spite of the recent sharp rise in joblessness, however, insured unemployment is not at this time sufficiently high to trigger nationally the Extended Benefits (EB) program for up to 39 weeks of compensation. The payment of benefits under regular State programs together with the triggering in of additional weeks of benefits in 18 States with high unemployment are indications that the program is doing what it was intended to do.

For these reasons, we believe that it is unnecessary at this time to authorize supplemental benefits beyond 39 weeks.

As you know, adoption of a plan to provide benefits beyond the 39th week has serious budget implications and would be a major economic stimulus decision. We believe a decision of this magnitude should be considered along with other possible stimulus alternatives if economic conditions indicate they may be needed. The Administration is, of course, closely monitoring these conditions and will promptly recommend any appropriate actions.

One consideration in determining the need for an additional tier of benefits is the number of claimants exhausting benefits.

Because the increase in initial claims has occurred only recently, we have not seen any major changes in the pattern of regular compensation exhaustions nor do we expect huge Nation-wide increases in the immediate future. While there has been some increase in the volume of exhaustees over comparable periods of a year ago, the major impact has been felt in a very few locations. At the beginning of 1980, there were three States paying extended benefits. Since that time, another 17 have triggered on while two have triggered off.

Exhaustion ratios, which measure those individuals exhausting benefits related to those individuals entering the compensation program, are approximately the same now as in calendar year 1978 and are 30 percent below similar figures for the recessionary period 1975–1976. In addition, the ratios are currently only 10 percent above the averages for 1960–1973, when these rates were for the most part at their historical low.

We are closely monitoring these trends, but at this time we do not believe that they indicate a new tier of extended benefits beyond 39 weeks is warranted.

Let me now turn to H.R. 7529, which would authorize and finance the development of work-sharing systems in the States. The bill would require the Secretary of Labor to develop model legislation to implement work-sharing arrangements, permit the Secretary to provide technical assistance and require the Secretary to conduct a demonstration project. In our view, the concept of work-sharing is an idea meriting serious consideration. Such programs have been conducted in Europe. In this regard, the Department is presently conducting research on work-sharing under existing authority. In addition, the California Employment Development Department is now experimenting with this approach to shared worked. The California law that established this experiment calls for an evaluation of the plan by January 1, 1981. We believe that these efforts should greatly expand our understanding of work-sharing concepts and models. Until we are able to assess the results of these efforts, we are not in a position to make any recommendations with regard to the enactment of legislative proposals in this area.

We are now considering a demonstration program under existing authority. Critical to this pilot is a research design that assures us the demonstration will provide the information necessary to make decisions on whether to extend work-sharing beyond the pilot stage. We will keep you fully informed of our progress in this regard.

Thank you, Mr. Chairman. My colleagues and I would now be pleased to answer any questions.

Mr. CORMAN. Mr. Brodhead.

Mr. BRODHEAD. Mr. Lewis, I would be interested in having your projections with respect to rates of unemployment for the rest of the year.

Mr. LEWIS. As you know, Mr. Brodhead, we are currently operating under some economic assumptions which have been overcome by events.

Mr. BRODHEAD. Precisely.

Mr. **Lewis.** And the midyear update is scheduled for, I believe, the middle of next month. We have run some calculations against some private forecasting models, which I would gather you are familiar with and we could comment on what those are. We will continue to operate under the administration's March update for the next few weeks.

Mr. **Brodhead.** So you do not have any figures here. What then are you basing your testimony on? In your testimony you say that H.R. 6540 is not needed. But you say events have overtaken the figures on which you based your testimony.

No one will defend the figures that were used in March. Those figures are out of date. You concede that. You make the statement that we do not need this program, but you do not have any figures to support that. I find that curious.

Mr. **Lewis.** We are using actual data. The basic point is that the present programs ought to be able to handle events.

Mr. **Brodhead.** If we want to talk about actual data, let us talk about the data in the State of Michigan. What is the rate of unemployment in the State of Michigan? The last I heard, it was 14 percent.

Mr. **Lewis.** It is high. I don't have the figures.

Mr. **Brodhead.** Yes, it is quite high. Do you project that that is going to bottom out? Is it near the bottom? Is it going to get worse? How many exhaustions are we going to have there?

Mr. **Lewis.** We have not forecast exhaustions.

Mr. **Brodhead.** Isn't that really the point of what this is all about? I mean, that is the whole thrust of the legislation, the purpose of introducing the legislation?

Mr. **Lewis.** The legislation, as I read it, was a national proposal.

Mr. **Brodhead.** That is right.

Mr. **Lewis.** It would affect the whole country.

Mr. **Brodhead** That is right. It has a State trigger.

Mr. **Lewis.** Yes, it does.

Mr. **Brodhead.** By providing a State trigger, we limit it to those places where it is needed. It is my contention that it is needed in the State of Michigan. Do you agree with me or do you disagree with me?

Mr. **Lewis.** There may be problems in the State of Michigan that need to be solved. Based on what I know, I would concede that those problems need to be addressed.

Mr. **Brodhead.** What are those problems?

Mr. **Lewis.** The question, I gather——

Mr. **Brodhead.** The problems I am talking about are hundreds of thousands of families that don't have any income——

Mr. **Lewis.** I think there are several points——

Mr. **Brodhead** [continuing]. Will not have any income when their UI is exhausted.

Mr. **Lewis.** I think there are several points to be made there. One is that the unemployment compensation program, while extremely valuable in combating unemployment and is a first line of defense in combating recession, is not necessarily the only activity that can be used to combat problems like this. It is a nationwide activity.

Mr. **Brodhead.** What other programs does the administration have to combat unemployment in the auto industry? Is there another one?

Mr. **Lewis.** I can tell you a couple of things. One is that the State of Michigan received for the January-March period roughly 50 percent of the total dollars under the Trade Act. Of the 300-and-some-odd-thousand claimants in the State of Michigan, we also know there are a couple of hundred thousand who are eligible for Trade Act benefits.

Unfortunately the data base is not integrated. I can't say that those are all the same individuals. But to the extent that they are—and it would be probably safe to guess that a minimum of half of those individuals——

Mr. **Brodhead.** Do you know what the average lag time is between the time when a person is laid off and the time when a person receives Trade Act benefits? In the GAO study that was published in January of this year, do you know what the leadtime was?

Mr. **Van Erden.** The leadtime of the GAO report was significant.

Mr. **Brodhead.** Significant? It was 488 days.

Mr. **Van Erden.** But, Mr. Brodhead, for the automobile trade program, we did a lot of precertification with the automobile industry. We expected at that time it would be significant and reduced it probably down to somewhere around a month after the certifications are approved. We will be getting money out to the trade people in Michigan.

Mr. **Brodhead.** So the time will be reduced from 16 months to what?

Mr. **Van Erden.** A very short period of time. I would guess no more than 1 month because of the precertification work that was done by the State agency in Michigan to gear up to be able to pay those benefits once we got the certification.

Mr. **Brodhead.** What percentage of the unemployed people in Michigan are receiving Trade Act benefits?

Mr. **Van Erden.** We don't know for sure.

Mr. **Brodhead.** How many people in Michigan are receiving Trade Act benefits?

Mr. **Van Erden.** We know that 200,000 unemployed people in Michigan are eligible.

Mr. **Brodhead.** What is the number of unemployed people in the State of Michigan?

Mr. **Van Erden.** Right now we are getting about 370,000 claims a week in the program. So we are talking about more than 50 percent of those receiving UI benefits now are more than likely eligible for the trade benefits. The trade program pays benefits, as you recall, for 52 weeks at a maximum much higher than the State UI program.

Mr. **Brodhead.** Of course, it is supplementary to the State program.

Mr. **Van Erden.** While you are drawing statewide benefits, yes, sir.

Mr. **Lewis.** In addition to trade, I am told, there is scheduled for this afternoon a meeting of the Economic Policy Group in which there will be discussed options to present to the President upon his return that would be of assistance to the auto industry and its suppliers that would also help.

The major point is, as I said in my statement, we believe this program is presently doing basically what it is intended to do and that, while there may be some isolated problems, perhaps other solutions can be arrived at.

Mr. **Brodhead.** I don't mean to be unduly hard on you here but I think that it really doesn't make much sense for the administration to come in here and oppose a piece of legislation designed to take care of the problem of people exhausting their UI benefits, and not have any figures to support their contention that the legislation is not needed. It appears to many of us in Congress that the need is obvious, at least in one State and rippling through to many other States.

I am just amazed. If you were going to tell us that the economy was going to turn up or that the recession was about over, then I could understand it.

I think it must be apparent to everybody that the administration at this point has absolutely no program to try to do something about the disastrous conditions in the American automobile industry.

At this point 29 percent of all American auto workers are out of work. And the administration has yet to come up with a program. So the administration is really in the rather curious position, it seems to me, of opposing the only piece of legislation that would do something about it.

I regret that I have to be in here talking about legislation to provide extended unemployment benefits. It would be much better to have a program to get these people back to work. In the absence of such a program, this seems to me to be the only alternative. Thank you, Mr. Chairman.

Mr. CORMAN. Mr. Rousselot.

Mr. ROUSSELOT. Mr. Lewis, I understand that the administration won't be releasing its revised economic and budget statements until the middle of next month. I wonder if you could give us an idea of the budget impact we could expect from the existing program of extended benefits as well as from the proposals of Mr. Hillis and Mr. Brodhead by using projections that you might use. Do you use any economic forecasting firms for projections?

Mr. LEWIS. Yes. I would like to start that and then defer to Mr. Van Erden.

Mr. ROUSSELOT. Who do you use?

Mr. LEWIS. We have used in our computer model private forecasting firms from time to time. And we have run some equations against the forecast of Data Resources, Inc.

Mr. ROUSSELOT. So you do use econometric models?

Mr. LEWIS. Yes. We did cost out Mr. Brodhead's proposal using the economic assumptions contained in the DRI model. And the 2-year cost beginning in 1981 would be roughly $2.8 billion and with a cost for——

Mr. ROUSSELOT. Is that per year or 2 years?

Mr. LEWIS. It is $2.8 billion cumulative for the 2 years, breaking down $1½ billion in 1981. We did not run Mr. Hillis' proposal against the DRI model. We ran it against the current administration economic assumptions, which are lower than the DRI model. We have a cost figure for that. Jim?

Mr. VAN ERDEN. For 1981 Mr. Hillis' bill would cost $230 million.

Mr. ROUSSELOT. $230 million?

Mr. VAN ERDEN. Yes. But that is under our mid-March assumptions.

Mr. ROUSSELOT. I guess we all recognize that the mid-March assumptions are kind of off.

Mr. LEWIS. Also along the same lines, we have made some additional rough calculations that would tend to answer this question in dollar terms. The 1974–77 recession with the FSB program that the Congress enacted at that time was overlaid onto 1981–1982–1983.

Under similar circumstance, the 3-year cost of that type of FSB program with a national trigger and area triggers would be roughly $10 billion with a first year cost of about $4 billion.

Mr. ROUSSELOT. $4 billion the first year and $10 billion over a 3-year period?

Mr. LEWIS. Yes.

Mr. ROUSSELOT. I am sure we can scrounge around and find that money. Even though some States are desperately struggling with soaring unemployment, other States and regions are still enjoying what we could call, I guess, relative prosperity and have a fairly good labor market.

Could you tell us or supply for the record an estimate of the budget impact of permitting States where there is still relatively low unemployment to choose not to participate in the extended benefit program—in other words, if we would give them an option of choosing not to extend the benefits?

Mr. LEWIS. We would like to do that for the record if we may.

Mr. ROUSSELOT. I would appreciate that.

[The information follows:]

If States with an insured unemployment rate lower than 80 percent could choose not to pay extended benefits, and all of them did so, nine States would be affected and the savings would be $250 million for fiscal year 1981.

Mr. ROUSSELOT. Are there other ways that the sum you have given us could be employed to alleviate unemployment that might be more effective than the Federal supplemental benefits?

Mr. LEWIS. I couldn't say what would be better at this time. One of the points I was trying to make is that, while unemployment compensation in any form has obvious advantages to the individuals who receive it in relieving their personal hardships, at the same time that is always a major economic stimulus decision. The dollar figures you and I were just citing are some measure of that stimulus.

When we talk economic stimulus, there are, many different kinds of different expenditures to choose from to generate that same kind of stimulus and other methods of doing it.

Mr. ROUSSELOT. From your vantage point, are there any specifics you want to recommend?

Mr. LEWIS. At this point, no, sir.

Mr. ROUSSELOT. Do you want to respond in writing otherwise?

Mr. LEWIS. We will attempt to do so. However, until we have a mid-year update and the administration is ready to address the whole question of economic stimulus alternatives, we couldn't be very specific about it.

Mr. ROUSSELOT. We keep getting these rumbles that there might be a tax cut. Are you privy to any of that?

Mr. LEWIS. No, sir.

Mr. ROUSSELOT. You wouldn't be included in the planning?

Mr. LEWIS. Not personally.

Mr. ROUSSELOT. Oh. I guess that is sufficient.

Mr. CORMAN. Mr. Rangel.

Mr. RANGEL. I think that is enough, Mr. Chairman.

Mr. Corman. Mr. Lewis, during the last recession how many Federal dollars did we spend on the Federal supplemental benefit program?

Mr. Lewis. I believe the 3-year outlay was around $6½ billion. The highest single year was around $2.8 billion. Mr. Van Erden may want to comment further.

Mr. Van Erden. I was just going to make the distinction that $5.7 billion of that was paid out of the payroll tax of employers, out of FUTA, while the rest was paid out of general revenue.

Mr. Corman. The Federal supplemental benefit was paid out of——

Mr. Van Erden. FUTA until the last extension, when we went to general revenue. I just wanted to make that distinction.

Mr. Corman. What was the peak of the 39-week exhaustions?

Mr. Lewis. The exhaustion rate peaked at 37.8 percent in that recession.

Mr. Corman. Do you have statistics on your current exhaustion rate?

Mr. Lewis. Yes. It is running at 27.3 percent.

Mr. Corman. 27.3 are exhausting their——

Mr. Lewis. The exhaustion ratio. That is regular benefits.

Mr. Corman. Did you say eight States are running extended benefits? The 27 percent includes the people who go into the extended benefits program? What is the rate of people who exhaust all benefits? I am trying to see how much worse we have to get.

Mr. Lewis. Historically that has ranged anywhere from 18 to 30 percent.

Mr. Corman. What is it now?

Mr. Lewis. It is roughly 27 percent now.

Mr. Corman. If it is 27 percent now but some go into extended benefits, what I am really trying to find out is: How many people will exhaust their regular benefits and their extended benefits in States that have extended benefits?

Mr. Van Erden. Mr. Chairman, we are just now beginning to receive data from most of the States because of the fact they triggered on only 2 or 3 months ago. Most of the people have not yet exhausted the benefits in the States that came on this year.

In the one State that has been continuously on since before January, which is Michigan, the exhaustion level—and I don't have the rate for EB—the number of people who leave is only slightly higher than the exhaustion level for the regular program last year.

In other words, by giving these people an additional 13 weeks of benefits, we have reduced the exhaustion level down to where it was last year for the regular program. But I don't have exhaustion rates now. We probably won't have those for another month or two.

Mr. Corman. All right. We would welcome those for the record.

[The following statement was supplied by the Department of Labor:]

The exhaustion rate is not available at this time. As soon as the information is available, it will be sent to the committee. We anticipate that it will be available within the next few months.

Mr. Corman. Counsel, do you have any questions?

Mr. Rousselot. Are they going to hit us in July?

Mr. Corman. Are there further questions?

Thank you very much.

Our next witness is Eleanor Holmes Norton, Chair, Equal Employment Opportunity Commission. Mrs. Norton, we are pleased to welcome you to the committee. If you have a prepared statement you would like to submit for the record and summarize, you may. Please proceed.

STATEMENT OF ELEANOR HOLMES NORTON, CHAIR, EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Mrs. NORTON. Thank you, Mr. Chairman and members of the committee. I will summarize my statement, reading parts of it and summarizing other parts of it.

I would like to begin, Mr. Chairman, by personally thanking you for placing H.R. 7529 among the bills on unemployment compensation to be considered here this morning. Remedies developed largely out of the Great Depression continue to be the major, indeed almost the only response to unemployment in this country. As critical as these remedies are, it has been amply demonstrated that they cannot take us the full way out of today's more complicated economic problems.

While full employment policy is the only acceptable answer to unemployment in the long run, we believe that the country has an obligation to seek short-term remedies for unemployment.

Compensation for full unemployment is an important remedy that has long been accepted as the way to cushion joblessness. However, short-term unemployment compensation, allowing the use of unemployment insurance to promote work sharing so that a worker on a shortened work week would be assisted on the day he or she is without work, allows us to put a premium on working instead of on unemployment. Thus work sharing augmented by unemployment insurance appears to be one of the most promising and practical alternatives to unemployment.

Our interest in seeking alternatives to layoffs as a means of reducing unemployment was originally stimulated by our concern for the effects of the economy on the employment status of minorities and women. These groups have always suffered disproportionately when employers resorted to layoffs as a cost-cutting measure.

None of the traditional remedies has succeeded in reducing the gap between the unemployment rate for many of these groups, especially minorities who have had a persistently high rate of unemployment regardless of the level of prosperity and regardless of the use of the traditional unemployment remedies.

I want to concentrate briefly on this gap. It is the gap which is most shameful—the fact that we are willing, consistently willing, to tolerate unemployment for black and brown people which are twice as high as for white people. None of the traditional remedies speaks to reducing this gap.

Essentially what we say to black and brown people is: We will try to work up some public service jobs for you when you are out of work. And this is critical; this is important. But the fact is that, if Americans are to be out of work, none of us should be satisfied until we are all out of work in approximately the same ratio to our numbers, not some of us out of work in much greater proportions than others. The policy of "last hired, first fired" takes a special toll of those who have only recently gained access to employment opportunities traditionally barred to them by discrimination.

In the past few years, widespread use of affirmative action programs to correct illegal exclusion has led to hiring and promotion for significant numbers of women and minorities in many industries. The Labor Department estimates, for example, that the number of employed adult women grew by approximately 6.4 million persons between 1975 and 1979, which represents a 21.1-percent increase over that period. During the same period, the number of minorities who were employed increased by about 1.8 million, or some 20.4 percent.

At EEOC I believe our statistics show that in the past 4 years minorities and women got about two-thirds of all of the brandnew jobs created by the economy. Many of these will be jobs with low seniority and not all of them will be jobs high on the pay scale, but when layoffs come it is these new jobholders who are without work in very great numbers.

The Nation's unemployment rate for May stands at 7.8 percent with 1.5 million layoffs in April, one-half million more than for April 1979. These economic conditions have disproportionately affected women and minorities. As you are aware, today's minority unemployment rate is staggering, almost 15 percent.

Minorities and often women have historically borne a much greater burden during economic turndowns. For example, in September 1974, blacks held 10.9 percent of all jobs. During the next 7 months, they experienced more than 21.7 percent of the 1974 recession-induced unemployment.

In May of 1980, blacks were laid off at almost twice the rate of whites (1.3 percent for blacks, 0.8 percent for whites). As we are aware, minorities and women generally have entered the employment system later than white males and thus become the first to feel the impact of any loss of jobs.

The remedy that you are today exploring is uniquely suited to problems by offering a degree of job security to those who are new to the employment picture because discriminatory exclusion has barred the hiring of such individuals from such groups in the past.

I want to make clear, Mr. Chairman, that we see no problem with ordinary use of seniority so long as we become creative and try to devise ways to help minorities and women get the seniority that would let them also have that kind of job security. This bill would have the important impact of keeping minorities and women attached to their jobs, acquiring seniority so that when a layoff does become necessary they will not be laid off in disproportionate numbers.

Unless they can keep their attachment to the work force, they will always be laid off disproportionately. This is a cycle that is generational and a cycle that we have tolerated for generations. But it is a cycle we need not tolerate if we more in the direction of the bill before us.

Work-sharing supplemented by unemployment insurance has been widely used in other industrial nations. And it is most interesting that our economic partners in Europe and Japan, whose economies are most similar to our own, make almost wholesale use of work-sharing. The

United States is two generations late in trying what European nations have tried and successfully used for some time.

Germany, Austria, Belgium, Denmark, France, Italy, Luxembourg, and the Netherlands are among the Western European nations which resorted to work-sharing programs during recent recessions. Most enjoy higher productivity growth rates than we. National schemes have mostly taken the form of benefits for those working less than a standard number of hours per week. As a result, European workers have come to expect their jobs to be maintained through prosperous periods as well as recessionary ones.

In Japan, employers who implement systems of nonduty allowances during temporary layoffs can be granted a subsidy to cover a part of the allowance.

In the United States, while a number of unions have gained collective bargaining provisions calling for a reduction in hours for all workers before any layoffs are permitted, the approach to recessions is traditionally to resort to layoff.

It should be emphasized that one-third of all of the union contracts in the United States actually contain clauses which permit work-sharing to occur. We believe that the reason work sharing has not occurred more often is because there is no way to compensate it at all. In a way, unemployment compensation discriminates against existing work-sharing provisions by virtually requiring that total layoffs occur before any compensation can be allowed.

It is important to understand that this bill is primarily seeking a demonstration project and requires a very limited expenditure of funds. The experience in California alone, about which you will be hearing later, indicates that this concept is worthy of congressional support.

When you add to the California program the institutionalized use of work-sharing in Europe, it would seem irresponsible not to begin such an exploration on the national level. Given the effect not only on minorities and women, but on the rest of the work force as well, and the very limited expenditure of funds that would be required by this bill, such a demonstration project is cearly worthy of support.

We recognize that work-sharing is not a substitute for fiscal and monetary actions which curb the business cycle; nor can it take the place of employment and training programs to remedy structural unemployment. It is a useful and productive tool for maintaining affirmative action progress and the dignity of all American workers. Work-sharing deserves your support.

[The prepared statement follows:]

Statement of Eleanor Holmes Norton, Chair, Equal Employment Opportunity Commission

Mr. Chairman and members of the subcommittee, I would like to commend you for convening these hearings on H.R. 7529, a bill providing for "Short-time Unemployment Compensation," a concept which represents a significant and innovative approach to a serious economic problem facing this nation. Congressional interest in mitigating the dramatic and frightening impact of layoffs should be given serious and immediate attention.

The American economy stands at a most critical point in our nation's history. The character of the economy appears to have undergone a change that is both a function of significant international developments and accumulated national problems.

Remedies developed largely out of the Great Depression continue to be a major response to this problem. As critical as these remedies are, it has been amply demonstrated that they cannot take us the full way out of today's more complicated economic problems.

While full employment policy is the only acceptable answer to unemployment in the long run, we believe that the country has an obligation to seek short-term remedies for unemployment. Full unemployment compensation is an important remedy that has long been accepted as the way to cushion joblessness. Short time unemployment compensation allows the use of unemployment insurance to promote work-sharing so that a worker on a shortened work week would be assisted on the day he or she is without work, thereby putting a premium on working instead of unemployment. Thus work-sharing augmented with unemployment insurance appears to be one of the most promising and practical alternatives to unemployment.

Our interest in sekeing alternatives to layoffs as a means of reducing unemployment was originally stimulated by our concern for the effects of the economy on the employment status of minorities and women. These groups have always suffered disproportionately when employers resorted to layoffs as a cost-cutting measure.

None of the traditional remedies has succeeded in reducing the gap between the unemployment rate for many of these groups, especially minorities who have had a persistently high rate of unemployment, regardless of the level of prosperity and regardless of the use of the traditional unemployment remedies. The policy of "last hired, first fired" takes a special toll on those who have only recently gained access to employment opportunities traditionally barred to them by discrimination. In the past few years, widespread use of affirmative-action programs to correct illegal exclusion has led to hiring and promotion for significant numbers of women and minorities in many industries. The Labor Department estimates, for example, that the number of employed, adult women grew by approximately 6.4 million persons between 1975 and 1979, which represents a 21.1 percent increase over the period. During the same period the number of minorities who were employed increased by about 1.8 million or some 20.4 percent.

The nation's unemployment rate for May stands at 7.8 percent with 1.5 million layoffs in April, one half million more than for April 1979. These economic conditions have disproportionately affected women and minorities.

Minorities and often women have historically borne a much greater burden from economic turndown. For example, in September of 1974, blacks held 10.9 percent of all jobs. During the next 7 months they experienced more than 21.7 percent of the 1974 recession—induced unemployment.

In May of 1980, blacks were laid off as a percent of employment at almost twice the rate of whites (1.3% for blacks, .8% for whites). As we are aware minorities and women generally have entered the employment system later than white males, and thus become the first to feel the impact of any loss of jobs. The remedy, that you are today exploring, is uniquely suited to problems by offering a degree of job security to those who are new to the employment picture because discriminatory exclusion has barred the hiring of such individuals from such groups in the past.

Our interest in layoff alternatives, however goes beyond civil rights concerns, because alternatives to layoffs, especially work-sharing, can be a critical short-term remedy for unemployment for workers of all backgrounds. The burden of extended unemployment causes reduced levels of living, such as the loss of job-related health and other benefits, the inability to meet household commitments such as mortgage and car payments and all the other personal and family devastations that occur when incomes are severely limited.

Furthermore, the retaining of otherwise unemployed workers on the payroll may well bolster consumer confidence. Beyond the immediate economic advantages, work-sharing that prevents unempolyment will have inestimable social benefits. It is impossible to assess just how costly the interruption of employment can be, especially in large cities with a concentration of ghetto conditions. We see the devastation caused by unemployment all around us, but we can only speculate on the ultimate consequences and costs—social and economic—that the dislocation caused by unemployment can have on crime, family stability, the social development of children, drug addiction, and other social problems. We will never be able to allocate sufficient resources to deal with such problems if we do not move to ameliorate conditions that create them. A minimal investment now in maintaining the employment of workers can save us the incalculable cost of social pathology that often has its roots in high unemployment rates.

Work-sharing supplemented by unemployment insurance has been widely used in other industrial nations. Germany, Austria, Belgium, Denmark, France, Italy, Luxembourg and the Netherlands, are among the Western European countries resorting to work-sharing programs during recent recessions. Most enjoy higher productivity growth rates than we. The national schemes have mostly taken the form of benefits for those working less than a standard number of hours per week. As a result, European workers have come to expect their jobs to be maintained through prosperous periods as well as recessionary ones. In Japan, employers who implement systems of non-duty allowances during temporary layoffs can be granted a subsidy to cover a part of the allowance.

In the United States, while a number of unions have gained collective bargaining provisions calling for a reduction in hours for all workers before any layoffs are permitted, the approach to recessions is traditionally to resort to layoff. California is the first state to enact a law adopting a short-time compensation program which encourages work-sharing as an alternative to layoffs. The law was passed in 1978. This program was originally designed to ease the impact of the massive government layoffs expected after the passage of Proposition 13. While few government layoffs materialized, business now faced with a deepening recession, is beginning to take advantage of this program. By the end of March, almost 600 companies and 12,500 workers have participated according to the state agency which operates the program.

The State also reports that the program is not costing any extra money. Instead, fewer workers are drawing full-time unemployment benefits and more workers are collecting partial compensation. Further, fewer workers are facing the trauma of full-time unemployment.

This bill provides for a pilot to explore a creative and significant alternative to layoffs. Such an alternative could help reduce the staggering effect layoffs have on all workers, their families and communities. It also provides an opportunity for minorities and women to continue to accrue seniority in positions to which they have only recently gained access.

It is important to recognize that this bill is primarily seeking a demonstration project that requires a limited expenditure of funds. The experience in California alone indicates that this concept is worthy of support. When you add to the California project the wholesale use of the idea in Europe, it would seem irresponsible not to begin such an exploration on a national level. Given the positive effect not only on minorities and women but on the rest of the workforce as well, and the limited expenditure of funds, such a demonstration project is clearly worthy of support.

We recognize that work-sharing is not a substitute for fiscal and monetary actions which curb the business cycle; nor can it take the place of employment and training programs to remedy structural unemployment. It is a useful and productive tool for maintaining affirmative action progress and the dignity of all American workers. Work-sharing deserves support.

Mr. CORMAN. Thank you. Mr. Rangel.

Mr. RANGEL. Thank you. It is the first time I have heard from you personally but certainly your idea has been floating around the House of Representatives, and I have been looking forward to hearing your testimony on this

Why do we need a demonstration? First, why do we need legislation? Any State can do this now and California, I understand, has done it.

Mrs. NORTON. Yes; California, prompted by the proposition 13 experience, in fact did take some leadership here. And any State could do so. It does seem clear, though, that this is the kind of breakaway from normal economic policy that demands Federal example and initiative.

Where the experience would, in fact, affect all States in the same way and especially considering the traditional Federal leadership on unemployment compensation, it would appear to be wise to allow the kind of approach that would be mandated by the Schroeder bill—that is, the setting up of demonstration projects to encourage the States to experiment rather than simply waiting and hoping that somehow the States will, on their own, take leadership in an area which is very new and unfamiliar to them.

California deserves a lot of credit in the absence of national examples, for moving out front on this issue. But I note they were motivated by what they thought was going to be a very severe economic turndown in their State. But I think that other States would get just such encouragement from the bill that is before you today.

Mr. Rangel. What could the Federal Government do to provide incentives for the State to try this out? In New York I would be concerned as to how the industry would want to handle its own problem. I would be concerned whether it is done equitably and fairly in terms of who is laid off or whether it is a 4-day week or whether it is a 2-week layoff. However they would work out their own internal problems, as a legislator and politician, I would want to make certain that neither the worker nor the employer was penalized for trying to work out a better system to spread the unemployment, if you will.

And I have no experience at all with the California project. I would have to know, before I could support the legislation, as to whether or not we would be legislating employers to encourage part-time employment, as to whether or not there would be a financial contribution by the Federal Government toward unemployment compensation that would encourage employers to leave the full-time employment because they could receive financial benefits from a part-time basis.

We on the Ways and Means Committee are plagued with employer and employee contracts that to you and me on the surface look just like any mass employee-employer relationship and yet we find that accountants and lawyers get together and find out how much it really costs under one system to hire somebody and how much it may cost under another system to have them independent contractors. And whatever you label them is really a tax term.

So what I am asking is, have there been any studies made already on the California part-time employment program?

Mrs. Norton. Yes; Congressman Rangel; I think the fact that we have now a little more than a year of experience in California means that the Congress isn't being asked to buy a pig-in-a-poke here, even though I do think that if anybody has the responsibility for encouraging responsible experimentation in this area, it is the Congress. National leadership here is important and I think that encouragement on the national level, with the kind of controlled demonstration projects that would prevent abuse and allow study would indeed provide answers to the concerns you have raised.

I believe they are legitimate concerns. I believe that the only approach to them is to have a controlled experiment instead of going fully into work-sharing, which, I must confess, on a personal level I would prefer. I come from the same part of the country as you do, Mr. Rangel, and I think many people in Harlem prefer that whole hog approach, too, to the awful joblessness in areas of the cities like that. But I can understand that, in the absence of broad work-sharing experience in this country thus far, Congressman, that it might be responsible to begin with a demonstration project.

Mr. Rangel. What could we do to encourage them to try this apparently more equitable way to lay off under the demonstration?

Mrs. Norton. Under the bill, the Secretary of Labor would be empowered to set up one or more demonstration projects There would be $10 million, over a 3-year period, authorized by under this bill——

Mr. Rangel. Wouldn't that mean that we would have to have the States legislatively revise their unemployment compensation program?

Mrs. Norton. There would probably be a need for very slight revisions in State laws Most State laws require you to be out of work a week before you can receive unemployment insurance. The revision would allow you to be out of work as little as 1 day. So if you were put on a 4-day work week, you could receive unemployment insurance for that day off.

The amount of money for the unemployment insurance would be no greater than if the worker were laid off for the number of weeks he is entitled to. That is another feature of this bill that would make it attractive, that no greater expenditure of State or Federal funds would be required.

Mr. Rangel. Mr. Rousselot.

Mr. Rousselot. Thank you for your comments on this bill by our colleague Congresswoman Schroeder.

My understanding is that California is supposed to complete its evaluation in late 1981. Do you have any insight as to how this evaluation is coming along or should we wait to ask Mr Green?

Mrs. Norton. I think you should wait for details, although we have perhaps some track of it.

Mr. Rousselot. You monitor it?

Mrs. Norton. No; we have not been monitoring it on a regular professional basis, but we have been kept informed as to how it was proceeding and we noted that it proceeded early with few companies and unions involved and picked up as the economy got worse in California.

All the reports we have had have been very encouraging, encouraging enough so that I would think that, given what is the clear success of that experiment, we ought to, in the middle of this kind of recession, be willing to undertake such an experiment on the national level.

Mr. Rousselot. What I am saying is that I am not sure we want to wait until late 1981. On the basis of the evaluation that you have received, other than just saying it is good, can you be a little more specific as to how the numbers were increased, who was willing to participate, et cetera, and why that did occur?

Mrs. Norton. I think I ought to let California speak to that in a more detailed fashion because we don't have the details and statistics ourselves. I do believe that there has been enough information, however, accumulated under the California experience to give more than ample guidance to the Congress if it would want to set up what would also be only a demonstration program. The Congress is not being asked to authorize the kind of use of work sharing that we find in virtually all European countries and Japan. It is being asked for only the smallest kind of work-sharing initiative on the national level. That, it seems to me, is not a great deal to ask.

Mr. Rousselot. Maybe we should have you back after California comes up with their evaluation on report next year to see what your evaluation is.

Mrs. **Norton**. Because these 2-year dates and 3-year dates are always projected at the beginning of an endeavor, and generally require revision during the project, I feel that California's experience so far has been positive enough to warrant similar demonstrations. I think you will be encouraged by it as well when you hear from them today.

Mr. **Rousselot**. Thank you, Mr. Chairman.

Mr. **Corman**. Mr. Brodhead.

Mr. **Brodhead**. Mrs. Norton, I am delighted that you are before the committee. I have heard many good things about you and your work, so I am pleased to have an opportunity to see you face to face.

I was much taken by your testimony about the devastating impact of unemployment in the inner cities and on the black and brown communities of America. I think it gives me a greater sense of urgency in trying to solve the problem. I thank you. Thank you, Mr. Chairman.

Mr. **Corman**. Mrs. Norton, did you testify before the Cohen Commission that is studying unemployment insurance?

Mrs. **Norton**. I did not.

Mr. **Corman**. Did anyone from EEOC testify before the National Commission on Unemployment Compensation?

Mrs. **Norton**. I do not believe that anybody from my commission testified.

Mr. **Corman**. I anticipate that the National Commission's findings might lay a foundation for some major changes in unemployment compensation in the next Congress. I wish they'd had the advantage of your testimony. But, it is late, they are about finished with their work. We will remember you, though.

Mrs. **Norton**. I do happen to know that the Cohen Commission has looked at this idea. I don't know where they stand on it.

Mr. **Corman**. It seems to me that over the long haul we just have to anticipate shorter work weeks for full salary. It has been the tradition in this country. We have moved from 12 hours a day and 7 days a week and cut that back to 6 days a week and now we are down to 5 days a week and 8 hours a day. Obviously we still do not need our total labor force the way we presently structure our economy.

So I assume we would be moving toward shorter work weeks. We appreciate your testimony very much.

We would like to welcome our colleague, Congresswoman Schroeder from Colorado, who is the author of H.R. 7529 and a great advocate of that approach.

STATEMENT OF HON. PATRICIA SCHROEDER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Ms. **Schroeder**. Thank you very much.

First of all I want to thank the subcommittee for acting so rapidly. You are truly to be commended on this. I come from another committee where if the issue isn't at least 10 years old, we don't consider it. So I really commend you for the speed with which you have responded.

Mr. **Corman**. We do not want to brag too much. We have had unemployment with us since at least 1929.

Ms. **Schroeder.** But at least you care; you try. That is commendable.

If it is all right with you I would ask unanimous consent to put my statement in the record and summarize.

Mr. **Corman.** Yes, without objection.

Ms. **Schroeder.** The first thing I have to say is clearly short-time compensation is not the total solution to unemployment. We know that. There is an old oriental saying that if you only have one tool and it is a hammer, you tend to see every problem as a nail. What I am trying to do with my short-time compensation bill is give us more tools to deal with this very difficult problem of unemployment, which we are seeing get more severe each day.

If you look at our economy, it is very complex. Clearly this Short-time Compensation Act is not the answer for every employer. But I think it could be an important tool for a certain type of employer and it gives him a choice. I underline 45 times that it is voluntary, voluntary, voluntary. We are not making employers do anything.

I also underline many times that it will not cost any more. Why can I say that? Well, what you are basically doing is saying to somebody that if you are going to have to lay off 20 percent of the work force, you have one other option. You can have everybody work 4 days and draw unemployment compensation for one day.

Under the laws right now in every State in the Union except California you do not have that other tool. You have to go back to only the hammer and hit the nail, which means 20 percent are out of work. That means they also lose their fringe benefits.

I think it is easier for us to understand the impact on the employee because we hear about that first off. The employee impact is very severe. Workers are unemployed. They lose their benefits. They suffer the economic and emotional burden of unemployment.

But people often forget that there is an employer benefit in not having to lay off 20 percent. If you are caught between a production line change, if you are caught between contracts, you might like to have that same skilled work force ready to go in a few more days or a few more weeks, or months. With short-time compensation you will not have to go out and find all of those people again because frequently your 20 or 30 percent may have moved or they may have found another job. Then you, the employer, will spend a lot of time trying to replace the skills and the people you have lost. Often they were the youngest and the most motivated. And that is another part of it.

As we look at the very tragic situation in Michigan, we see that frequently many of the laid-off workers become discouraged and start looking for another State to move to and for something else to do. As a result, they lose their skilled work force. When we get the automobile industry up and going, these workers will be in Colorado or California and that is not going to help Michigan.

So I think that there is an employer benefit that arises from use of short-time compensation.

Basically all we are doing in this bill is saying there is another tool that Germany discovered long ago. Some people talked about short-time compensation until they were the colors of the walls in this room during the last recession. Then the crisis went away and nobody did anything.

There have been all sorts of reports, which I mentioned in my statement, that have come out in the past 5 years saying short-time compensation is certainly an option to explore. Germany, in their last recession, used it for 770,000 workers. These things have been done in other places, but we still have not added this tool so that we have one more option that workers and unions and employers could voluntarily use.

What does my bill do? Ten million dollars over 3 years allows the Department of Labor to provide technical assistance to States who are willing to take on a short-time compensation program and try it. We then get some data, some ideas from voluntary State programs.

Some of the things that some of you have talked to me about are very good questions. If you are only having 1 day of unemployment a week, does that count as a whole week when you are talking about the duration of the benefits? Clearly we would want the unemployment legislation to say it counts as 1 day.

We want to make sure that employers would have to certify this was being done in lieu of a layoff. I cannot imagine employers doing anything else because it is still more costly for employers to pay these fringe benefits and keep people on than it is to lay off 20 or 30 percent of their work force and be able to scratch the benefits. So I do not think that is a problem.

The Department of Labor could help develop model legislation for the different State legislatures who choose to establish State short-time compensation projects. But we ought to have something so we can really move it beyond the talk, report and study stage into "this is how it was done, this is what is happening, and this is what could be done."

I think California has made a very good start, but I think we in the Congress will get tagged with unemployment if we fail to do anything to alleviate it. It is a national issue. If we go home from the Congress and say, "We are sorry, we haven't done anything about it because it is up to your State legislatures," we are going to get laughed off the podium.

I think we need to come up with more tools. This is one way to do it reasonably and responsibly and to move forward.

That is basically a rapid overview of what I wanted to say. I hope we can get short-time compensation legislation enacted. I do not think anybody has been concerned about the productivity and the industrial base of the Federal Republic of Germany where they have been using short-time compensation since 1927. Our economy could also withstand the implementation of a short-time compensation program and, moreover, benefit from it.

Again, I thank you for your prompt attention and concern in moving short-time compensation beyond the paper report study.

[The prepared statement follows:]

STATEMENT OF HON. PATRICIA SCHROEDER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

I am delighted to testify before your Subcommittee today on H.R. 7529, the Short-Time Compensation Act of 1980. I commend you for holding these hearings to examine legislation that has been introduced to assist laid off workers—the casualties of the current economic downturn.

What originally looked like a "short and shallow" economic downturn now appears to be a full-blown recession. Some economists predict that the recession of 1980 will be one of the two worst since the Great Depression. Already, the automobile, rubber, steel, and construction industries have laid off thousands of workers. Economic history demonstrates that unemployment in these industries foreshadown unemployment throughout the economy.

Recessions do not inflict all segments of society equally. The brunt is borne by those who are laid off. It is quite clear what type of worker is most likely to be laid off. It is the least skilled, the most recently hired, the minority worker, the female worker, who is likely to lose work.

The physical and psychological consequences of longterm layoffs are devastating. Imagine what the loss of income, benefits, health insurance, and job status does to an individual. The agony of being unable to meet mortgage and car payments is intense.

But the employees are not the only ones who suffer the costs of a layoff. They are also costly to companies who must develop new production schedules when layoffs occur, then re-hire and retrain workers when the business cycle recovers. Thus, while layoffs put the most severe costs on the unemployed, they also cut into productivity, profits, worker status, and the take home pay of those still on the job who have been bumped down into lower paying jobs.

I believe there is a way to reduce the negative impact of recession. Short-time compensation is a relatively new concept in this country, but it has been used for decades in Western Europe as an important tool to combat layoffs. California has had a successful short-time compensation program since mid 1978. It has worked well and California workers, employers, and unions seem satisfied with it. Today you will hear more about their program.

However, currently California is the only state able to pay unemployment insurance for a partial layoff. In most states the income disregard is so great that an employee must be laid off almost full-time to be able to collect unemployment insurance.

H.R. 7529 would encourage states to permit payment of unemployment compensation (U.I.) benefits to employees who are laid off partially. Under this concept, workers are paid their regular wages for the time they work and prorated U.I. benefits for the time they do not.

My bill proposes a voluntary approach: short-time compensation will be voluntary for States, employers and unions. While state experimentation is encouraged, the legislation contains some basic guidelines to protect workers and the integrity of the U.I. Trust Funds. It also mandates a controlled demonstration project.

This legislation can also benefit unions. A number of unions have collective bargaining agreements that call for worksharing among employees before layoffs are permitted. However, under current law in most states, this worksharing is done without compensation. My bill would encourage compensation for workers in those unions who already use reduced work hours before resorting to layoffs.

You may ask why Congress should be interested in this legislation, since U.I. is basically a state program. It is my view that unemployment is a national problem that effects the states and the workers in those states, but is not caused by them. Layoffs also hurt the taxpayer. The Congressional Budget Office estimates that for each additional percentage of unemployment, Federal entitlement programs cost $5 to $7 million more. Morever, tax revenues decline by $20 to $22 billion for each new percentage point of unemployment.

I think it would be irresponsible for the Congress to fail to explore the use of short-time compensation as a tool to combat unemployment in this recession. This is a modest proposal to encourage greater use of short-time compensatin. It mandates an evaluation process to gather sufficient knowledge on the subject to make policy decisions in the future.

While we lament the flagging productivity rate in the United States, use of short-time compensation is one way to reduce the adverse impact of layoffs in a low-cost way. We should note that Japan and Germany, whose productivity has shot up in the last decades, have found alternatives to costly layoffs which are beneficial to workers, employers, and their national economies. During the last recession, more than 770,000 German workers received short-time compensation benefits.

I think it is time for the Congress to take a direct interest in short-time compensation as an alternative to layoffs. The Department of Labor could provide technical assistance to the states and undertake a demonstration project, but will it? It has been five years since the last recession when alternatives to layoffs were discussed. Three and a half years ago the U.S. Commission on Civil Rights issued its report "Last Hired, First Fired." It noted that "the potential virtues of such alternatives lie not only as a means to ameliorate the seniority-affirmative action conflict but also as a logical way to encourage more humane and efficient use of all the Nation's human resources." It has been two and a half years since the prestigious Committee for Economic Development said, "We recommend active exploration of possible legal and administrative changes to facilitate work sharing as an alternative to cyclical layoffs in cases where such a solution is desired by both management and labor."

This bill is a preventive measure to protect the jobs of those who might be laid off as a result of recessions. In no way does this bill interfere with other tools to fight unemployment—extended benefits, public service jobs, or tax credits for job creation. Full employment is still our goal, but short-time compensation can be a more humane way of dealing with economic downturns.

This bill does not mandate the use of short-time compensation. It simply says that Congress wants a three year program to experiment with wider use of short-time compensation, to assist states which want to permit short-time compensation, and to evaluate both the voluntary state programs and the demonstration project. I think that high unemployment is a pressing problem that must be addressed now. The results from California are positive. It was extended by the State Legislature last year. However, it would be helpful to policymakers to have data from more than one state, to see its use in settings involving different mixtures of industries and state U.I. systems.

There are those who fear that use of short-time compensation would be a drain on the U.I. Trust Funds, which are already in trouble. H.R. 7529 addresses this concern by experience rating short-time compensation so that it will be paid for by the employers who use it. Moreover, states may charge negative balance employers a surtax or require full reimbursement for their use of short-time compensation to assure that employers pay their fair share into the Trust Fund.

Concern has been expressed whether senior workers would be willing to share the burden of unemployment with younger workers. I would like to underline that this bill is voluntary for unions and that non-unionized employers would be prudent to discuss the economic picture with their workers before a decision is made to use regular layoffs or part-time compensation. Finally, the demonstration project would permit the Department of Labor to experiment with higher replacement rates for senior workers.

Questions have been raised whether the availability of short-time compensation would permit employers to go to layoffs more quickly or more heavily than would occur with regular layoffs. There are several reasons I think that this is unlikely. First, employers are required to certify to the state agency that the aggregate reduction in work hours under short-time compensation would be in lieu of an equivalent number of hours of full-time layoffs. Second, it seems unlikely that in a recessionary period that there would be an incentive to cut production before necessary. This is especially true since employers must continue fringe benefits for partially unemployed workers and pay for it through experience rated U.I. taxes.

Short-time compensation is a cost-effective way to fight unemployment. The total cost of H.R. 6790 over a three year period would be $10 million. In view of the projected unemployment rate of 8.5 percent, it is timely for Congress to enact this bill to alleviate the suffering in those situations where short-time compensation might be preferred by employers and workers. Moreover, use of short-time compensation would give a boost to the local economies. Employees on short-time compensation would come much closer to maintaining their normal incomes, especially since their work-related expenses would be reduced and U.I. benefits are non-taxable. The increased purchasing power of partially laid off workers would sustain local businesses and help the state's economic recovery. Moreover, it would result in greater tax revenues for the state.

Since we seem to be headed for an extremely serious recession, I urge you to take positive action on this bill.

SHORT-TIME COMPENSATION AS AN ALTERNATIVE TO LAYOFFS

Why short-time compensation?

The rising unemployment rate and current pessimism about the economy raise the specter of future widespread layoffs that accompany a recession.

A look at the recent past shows the devastating effect that recessions have on American workers. During the last recession the number of unemployed workers rose from 4 million in October, 1973, to 8.3 million in May, 1975, an increase of 4.3 million. (Business Conditions Digest, Feb., 1980, p. 99).

Today, when lack of sales require cutbacks in production, the typical employer, except in situations where collective bargaining agreements require otherwise, will cut the number of workers. Those workers who are laid off apply for and receive unemployment insurance benefits which usually provide up to 26 weeks of benefits. The other workers continue to work their usual hours and though there are fewer opportunities to work overtime, normally suffer relatively little loss of earnings.

Those workers who are laid off not only have a total reduction in income, but also lose valuable fringe benefits like health insurance coverage. If the layoff continues for an extended period, those unemployed may exhaust the benefits available under the U.I. system and be forced to apply for welfare.

Currently, the brunt of the cost of a recession is suffered by the relative few who are put on indefinite layoff (a euphenism for losing your job). Loss of income, loss of job-related benefits, loss of newly acquired skills and work habits, failure to meet commitments on mortgage and car payments, physical stress, and the psychological impact of not having a job all accompany workers who are laid off totally.

But the employees are not the only ones who suffer the costs of a layoff. New production schedules and exercise of bumping rights make layoffs costly to the company in terms of both money and productivity and to workers who, though still at work, have to move down into lower paying jobs. Thus, while putting the most severe costs on the unemployed, a traditional layoff cuts into productivity, profits, worker status, and take home pay even for those still on the job.

Is there an alternative?

Yes. Some employers who need to cut labor costs or inventory now use alternatives to layoffs as a matter of course. Others could and would with proper encouragement be able to spread the available work among all employees in such a way that none need be laid off. Sharing the work available can take many forms depending on the nature and needs of the business and the productive processes. Other options include reducing hours of work, shutting down the entire plant for a week or more, and alternating or rotating layoffs, (i.e., part of the workforce is laid off for a definite period after which they return to work and another group is laid off for a similar period.) Other viable schedules can—and have been—developed depending on the ingenuity of the planners and the needs of the business.

Reduction of the work week—usually from five days to four—is the most popular and for many companies the easiest way to schedule short work time. However, though this is often technically the most feasible, there is a major impediment to its use. The one day per week lost from work—equivalent to the layoff of 20 percent of the workforce—cannot be compensated under present state unemployment compensation laws.

Unemployment due to reduced work time cannot be compensated, even though unemployment compensation was intended to insure against unemployment which is not within the control of the employee, to assure income maintenance for laid off workers and to encourage employers to even out their employment requirements through production scheduling and other methods—to avoid the need for layoffs.

If the same employer decides to lay off 20 percent of the workforce, that unemployment would be insured and those laid off (if otherwise eligible) would be compensated through the state unemployment compensation insurance system (U.I.). The present system thus encourages layoffs in which most workers get full pay and some only U.I.

What is short-time compensation?

Short-time compensation (STC) is a proposed amendment to the current U.I. laws which permits payment of prorated U.I. benefits to employees laid off for a portion of the week, as part of a program to avoid the total layoff of some of the employees. It thus seeks to encourage work sharing as an alternative to layoff where feasible in order to redistribute the burden of unemployment. Under STC, workers will be paid their regular wages for the time they work and prorated U.I. benefits for the time they do not, as the employer requires.

Putting into place a way to compensate worksharing so it can become a viable alternative to layoffs has particular importancee for young minorities who need a chance to stay with one employer long enough to accumulate sufficient seniority to withstand a layoff, if there is one. Worksharing and seniority are consistent. Both are important to minorities. Use of the seniority principle not only protects senior workers against layoff, if there is one, it also protects workers from arbitrary and discriminatory acts of management, which tend to fall hardest on minorities.

The problem minorities have had, however, is that they no sooner begin to build seniority than there is another lay off and their work connection is broken. Each time the economy dips, they have to start over, and thus never get enough seniority to benefit. Worksharing can thus help many minorities get into a position where they can begin to realize some of the advantages of seniority.

Currently, most states not only provide for the payment of U.I. benefits to employees who are totally laid off, but also allow partial benefits for those who work only part of the week. However, the formula for partial benefits, in all states but California, is so low that for the purpose of compensating time lost through worksharing it is useless.

Under the current system, the amount of benefits payable for partial unemployment in many states is the weekly benefit amount less the wages earned during the week. Anyone who earns more than they would get on U.I. is ineligible, even if they are unemployed most of the week.

Since workers who earn over the low maximum are not eligible for any U.I. for time they are unemployed that week, employers may evade the spirit of the compensation law: avoid tax liability for unemployment they cause by scheduling work so employees make just over the U.I. limit before they are laid off. The employees cannot collect U.I. and the employer's experience rated tax rate is not affected.

Because of the low level of earnings permitted under current law, no state but California will pay unemployment insurance for a one or two day layoff per week. In some states there are also other legal impediments such as waiting periods that stand in the way. Therefore, it will take a change of state law (in all 49 states besides California) to permit payment of U.I. benefits for one or two days of unemployment.

How does the present U.I. system work?

The basic Federal-State unemployment insurance (U.I.) system is essentially financed by employer taxes. The individual employer's tax depends on the provisions of Federal and State law, which in part based the tax on the employer's layoff record. Therefore, under the "experience rating" system, extensive layoffs for an employer will lead to a higher tax rate (unless the employer is already at the maximum tax rate).

Over the years, the U.I. system has been expanded to cover more than 90 percent of the labor force. Each state sets its own benefit level and tax rates to pay for it.

Under regular U.I., laid off workers are entitled to 26 weeks of unemployment insurance, based on the employee's employment and earnings history.

A 1970 amendment made the worker eligible for 13 more weeks of Extended Benefits, financed 50–50 by the Federal and State governments, for a total of 29 weeks, if unemployment nationally or in the state is especially severe.

A special temporary law, now expired, was passed when unemployment peaked at 9.2 percent in May, 1975, to permit federally funded Supplemental Benefits for an additional 13 weeks, or a maximum benefit period of 52 weeks, during the last recession.

What is H.R. 7529, the Short-Time Compensation Act, introduced by Representative Pat Schroeder?

The bill encourages States to provide unemployment benefits to partially unemployed workers. It authorizes the Secretary of Labor to develop model legislation and to make grants and provide technical assistance to States to assist in developing, enacting, and implementing short-time compensation programs.

The States must apply for such assistance and their short-time compensation programs must conform to the guidelines in the legislation and regulations promulgated by the Secretary of Labor.

The guidelines for the program are as follows:

1. Individuals whose workweek has been reduced by at least 10 percent would be eligible for a prorata portion of the unemployment benefits to which they would be entitled if totally laid off.
2. Short-time compensation benefits would be financed by employers through the usual manner of charging reserve accounts by experience rating. However, employers with negative reserve accounts may be required by the States to pay a surtax or to make full reimbursement to the Trust Fund at the end of the year for short-time compensation benefits charged against their reserve accounts.
3. Employers must certify to the state agency that the aggregate reduction in work hours pursuant to such plan is in lieu of total layoffs which would result in an equivalent reduction in work hours.
4. In the case of employees represented by a union, the appropriate official of a union (or union hall) consents to the implementation of the short-time compensation plan.
5. Employers shall continue health and pension benefits at same level.

The legisaltion also authorizes the Secretary of Labor to conduct one ore more demonstration projects for purposes of evaluating the effectiveness of short-time compensation programs.

The Secretary shall submit annual interim reports on the State short-time compensation programs and a final report, not later than October 1, 1983, which evaluates the short-time compensation programs of the States and the demonstration project, making such recommendations as the Secretary deems advisable.

What are the advantages of short-time compensation?

Advantages to workers

1. Preserves job attachment for workers who would otherwise have been laid off.
2. Provides greater income for those on short-time compensation than would be provided by regular U.I. for those who are totally laid off. In California, most workers get the equivalent of about 90 percent of take home pay, figuring tax free status of U.I. benefits and savings on job related costs.
3. Retains fringe benefits for those who would have lost them when laid off full-time.
4. Allows more minority and women workers, usually the last-hired and first-fired, to retain their jobs, thus preserving the results of affirmative action employment that firms have undertaken.
5. Protects older workers who cost more and are often among the first fired in selective layoffs.
6. Allows workers with high seniority the opportunity to choose to trade work for increased leisure, with only a small decrease in the take home pay. Thus it can provide a transition or 'taste' of retirement without posing a threat of permanent jobs loss, while providing the satisfaction of helping younger workers.
7. Increases the family income of two paycheck families more than if one member continued to work full-time and the other was on U.I. This is particularly true if the wife is a new entry into the labor force. Women's traditional jobs are generally low paying and eligibility rules for U.I. require workers to meet a combination of dollar amount and time in covered occupations. For some new entrants, U.I. benefits may be low or non-existent. Two paychecks, even on work-sharing, may produce more total income than one full paycheck and U.I.

Advantages to employers

1. Reduces or eliminates the often large costs associated with layoffs, particularly where "bumping" occurs: i.e., scheduling, re-training, start-up costs.
2. Increases planning flexibility and managerial opportunities for allocation of available resources.
3. Reduced rehiring and training costs when economic conditions and production pick up.
4. Improves long-run productivity since not all laid off employees are able to return to former jobs and those who are re-hired must be retrained.
5. Helps employers retain skilled work force since there would be less financial incentive for workers to seek new employment.

Advantages to unions

1. Maintains union membership and members' ability and willingness to pay dues.

2. Allows union more opportunity to take into account diverse interests of membership and more equitably meet its obligations to fairly represent all employees in the bargaining unit.

3. Improves long run prospects for union since when there is a layoff not all laid off workers return; new employees will have to be newly organized, while returning workers may have less enthusiasm for the union than if they hadn't been out.

4. Aids in reducing causes of polarization between groups represented by the union.

5. Allows new workers who would otherwise be laid off to continue to accumulate seniority and get into the system. They will therefore be more likely to support the union upon which the system depends.

6. Increases union's collective bargaining role.

Advantages to society

1. Affirmative action and equal employment opportunity advances are maintained at a higher level than otherwise would be the case.

2. Since workers' jobs and incomes would be preserved, there would be a need for fewer public jobs (which pay less than would partial unemployment with STC).

3. Would reduce expenditures for public assistance, for those unemployed forced to go on welfare.

4. Removes current incentives for full layoffs. Makes reimbursement for partial unemployment an option for unions and employers.

Has short-time compensation been tried anywhere?

Yes. California and most Western European countries.

The California Plan.—In 1978, California became the first state in the nation to adopt a program for shared work unemployment compensation. Sen. William Green, Chairman of the Industrial Relations Committee, introduced legislation which was enacted within one month of passage of Proposition 13, the measure to drastically reduce property taxes.

The California plan was based on a system West Germany has used for decades. Compensated worksharing is also commonly used to soften the impact of recession by other European countries.

The California program was adopted for a one-year trial, and was extended last year by the State Legislature, since the program was operating well and to the satisfaction of California's employers, employees, and unions. The California experience shows that use of short-time compensation could work in other states.

The California program provides:

(1) Partial benefits for up to 20 weeks to workers whose companies put them on short-time in order to avoid a lay off. Under the plan, benefits represent a proportional amount of the regular U.I. benefit payment. For example, a worker unemployed for one day a week, who is entitled to receive $100 if unemployed for a full week, would receive $20 as a partial benefit. Since U.I. benefits are tax-free, and the worker saves on job-related costs such as transportation and lunch, most workers on worksharing in California end up with about 90 percent of their take home pay.

(2) To participate, the firm and workers must all be eligible under the regular California U.I. eligibility requirements.

(3) The employer must:

(a) Agree, in writing to participate.

(b) Declare that a reduction is necessary to avoid a lay off.

(c) Submit and have approved a plan to reduce normal work hours by at least 10 percent of its workforce. In practice, most firms have gone to a four day work week.

(d) Obtain the consent of the union, if the employees are represented by a union.

(3) Workers who receive short-time compensation benefits can still receive regular U.I. benefits if they are later laid off, but can receive no more in combined STC and regular U.I. benefits than they would have been entitled under regular U.I.

(4) Employers with a history of heavy use of layoffs, who are already paying the maximum tax under the regular U.I. program, have to pay a penalty tax in order to participate. A number of firms have chosen to use short-time compensation, in spite of the extra cost.

The German plan.—Germany has used compensation for short-time work since the 1920's. During the 1975 recession, there was a rapid rise in the use of short-time compensation. In 1975, more than 770,000 workers from some 12,500 firms received partial unemployment compensation benefits. German officials report that the program kept the country's unemployment rate at 4.7 percent in that year—about 1 percentage point below what it would otherwise have been.

The German U.I. system is financed by a 3 percent payroll tax, divided equally between employers and employees. Replacement rate of short-time compensation to earnings range from 60 percent to 68 percent of net income lost during reduced work time and the duration of benefits is for a maximum of 2 years. To go on short-time, a German company must show that one-third of its workers would be laid off for at least 10 percent of their normal work time for unavoidable reasons.

Union contracts for reduced work hours—without U.I. compensation

A number of unions acting from historical principles of solidarity do negotiate collective bargaining agreements calling for a reduction in hours or a sharing of work among employees before layoffs are permitted. Worksharing is also seen as a plus by some non-union employers.

Collective bargaining provisions calling for, or permitting, various kinds of worksharing are not concentrated in any industry or group of industries, but rather are spread broadly across a wide variety of manufacturing and non-manufacturing industries.

While some contracts call for mandatory division of available work, generally the use of worksharing is permissive rather than mandatory. About one-third of the major contracts surveyed by the Bureau of Labor Statistics contain permissive clauses allowing some reduction in hours, often up to one day a week, in place of layoffs. However, in only a few industries is worksharing systematically practiced. Where there is a union, the subject of worksharing or layoff is a mandatory subject for collective bargaining. Since the 1975–76 recession, a new section-heading for worksharing in lieu of layoff has been added to the index of Arbitration Decisions, indicating increased use of this technique.

Division of work clauses predominate in the apparel industry where this technique has been utilized historically to handle the variation in workloads which seem to be a necessary part of this industry's operation. Sharing of the available work became a major union objective from the start of organizing efforts in an attempt to replace the seemingly haphazard way employers were utilizing their workforce and to reinforce the philosophical goals that stressed the mutuality of interest among the diverse immigrant elements of the union.

Worksharing is still practiced in the garment industries. It appears that there are no hard and fast rules enforcing this clause. Procedures are generally worked out at the local level by the local union representative and the particular employer. In some cases, worksharing takes the form of a shorter workweek for all employees. In other cases, where the reduction in workload is more serious, worksharing can take the form of alternate weeks of employment for the regular employees in the shop. Moreover, in particularly difficult circumstances, layoffs do occur.

In the telephone industry, reduction in hour clauses are almost universal in the Bell Telephone System agreements with the Communication Workers of America.

In the steel industry, contracts with the Steelworkers provide local options to reduce work to 32 hours a week.

Other unions that historically have utilized forms of worksharing include many construction industry unions, Graphic Arts, and Teamsters.

In 1974, the American Newspaper Guild signed an agreement with the Washington Star for a four day week with a 20 percent reduction in salary as an alternative to layoffs. Guild members approved the proposal by a vote of 347 to 44. Although the four day week meant somewhat higher labor costs for the Star because of continued fringe benefits for all employees, they anticipated offsetting gains through greater efficiency and superior quality of work.

Where worksharing is used consistently—both by union and non-union shops—an effort is usually made to key the unemployment work schedules into local unemployment compensation requirements. Thus, to avoid waiting period requirements and maximum weekly pay limitations, employees might be scheduled to work alternate weeks, being eligible to collect U.I. for their down time.

However, scheduling to fit U.I. laws is not always possible. Even where possible, it is often so restricting as to be unreasonable. Thus presently, most worksharing, if done at all, is done at the expense of the workers, whose partial unemployment is totally uncompensated. If the employer had opted for a layoff of the equivalent amount of total unemployment, on the other hand, it would have been compensated. Perhaps this explains the diminished use of worksharing since the institution of U.I.

The preference for layoff to worksharing, inherent in the present U.I. structure, raises a serious question: should federal monies be spent to encourage a program which may have an adverse affect on minorities and women who have only recently been hired, in response to the strong national policy to eliminate discrimination and to encourage affirmative action. Collective bargaining agreements usually require that when layoffs do occur, the last hired be the first fired. Thus, to the extent that the structure of the U.I. laws encourage layoffs (in which minorities and women might be fired in disproportionate numbers); and discourage worksharing (which would retain their job connection and allow them additional time to gain the advantages of seniority) that structure impedes the national effort to remedy discrimination.

As a matter of national policy, the expenditure of federal monies should at least be neutral. It should not encourage employers to take actions which would have an adverse affect on minorities and women when the barriers to more favorable alternatives can easily be removed simply by extending U.I. coverage to the kind of unemployment caused by worksharing to avoid layoff—short-time compensation.

What criticisms have been raised against short-time compensation?

1. "Workers' pay losses would be substantial if STC is used."

Use of STC does require a partial reduction in income of workers who participate, however use of STC instead of full-time layoffs would have a favorable effect on the employees, as well as the local economy, since workers on STC would have more spendable income than they would under full-time layoffs.

For example, the average employee receives weekly gross wages of $260, with fringe benefits that amount to an estimated $65.00.

If layoffs were to occur, this worker would be entitled to the following combinations of wages and U.I. benefits under the 4 options listed below:

Retained full-time, not laid off—wages (plus fringe benefits)	$260
Laid off full-time—U.I. benefits (no fringe benefits)	105
STC for 1 day/wages for 4 days:	
Wage (plus fringe benefits)	208
U.I. benefits	21
Total (wages and U.I.)	229
STC for 2 days/wages for 3 days:	
Wages (plus fringe benefits)	158
U.I. benefits	42
Total (wages and U.I.)	210

Employees on STC will come closer to maintaining their normal incomes, especially since they will have reduced work-related expenses and U.I. benefits which are non-taxable.

Moreover, their increased purchasing power will sustain local businesses and help the state's economic recovery. At the same time, use of STC could result in savings on welfare costs and greater tax revenues for the states, while softening the burden on the individual workers who would have been laid off totally otherwise.

2. "Short-time compensation will lead to speed-ups."

The legislation requires employers to certify that STC is indeed in lieu of an equivalent reduction of hours by means of full-time layoffs.

However, in a period of recession, speed-ups are very unlikely to be implemented by an employer, since there are risks and costs resulting from building up inventory without adequate demand for products. While there is always the possibility that employers can speed up production, workers have developed a number of formal and informal ways to prevent undue work demands by employers. Furthermore, there is no evidence to indicate that the existence of STC would make it easier for employers to speed up work.

3. "Short-time compensation will subsidize certain employers."

It is unlikely that employers would find it profitable to cut back hours of production in the absence of lowered demand. The profit motive would encourage them to produce to the maximum for the maximum amount of sales.

Making a profit from the use of STC is unlikely because of the added costs of using STC. The administrative costs and expense of fringe benefits, which would be retained for employees on STC, reduce the possibility that marginal firms would be subsidized by using STC.

Moreover, employers with negative reserve accounts will be required to pay a surtax or make full reimbursement to the Trust Fund at the end of the year.

4. "Short-time compensation encourages firms to cut back employment and thereby induces partial unemployment."

Since STC would be counted against an employer's experience rating, there would be no economic advantage to employers to use STC in lieu of full-time layoffs.

STC is basically a preventative measure—to reduce full-time layoffs. If, in fact, firms go to reduce work time using STC earlier than they would resort to full-time layoffs, it is also likely that employers will return workers to full-time work schedules faster than would be the case with full-time layoffs. Since workers are attached to their jobs, readily available for full-time work, firms would be able to resume regular hours without extensive reshuffling or training of workers.

5. "Decisions about reduced hours as an alternative to layoffs should be left to collective bargaining."

The proposed legislation leaves intact the union's right to negotiate STC, since it requires that the employer's application for inclusion in the STC program be signed by the union's appropriate business agent.

Although an impressive number of union contracts contain provisions for reduced hours, instead of layoffs, workers cannot be compensated for partial unemployment until the U.I. law is changed.

6. "Workers in non-unionized firms should not be forced into STC."

The argument is made by some individuals that workers who are unorganized would not be able to make a voluntary decision on STC.

The proposed legislation contains a provision that permits employees who do not choose to go into STC to quit and go onto regular U.I.

This provision should encourage employers to discuss with employees the options of STC or layoffs before a decision is made. Moreover, many unorganized employers are particularly concerned with employee attitudes in order to forestall moves to unionize.

Since non-union shops can make layoffs in any manner they choose, they can terminate at will, and have free rein on work scheduling, STC does not give the employer any additional authority or power over its workforce. It merely provides that some previously uncompensatable unemployment may be compensated.

7. "STC will not interfere with seniority systems."

Seniority rights remain intact even where STC is used. Not only seniority rights, however, but the job connections continue with STC. Recent hires thus have an opportunity to accumulate seniority and work into the system. This will help strengthen, rather than undercut, seniority.

In fact, many union contracts which require layoffs by inverse seniority (last in first out), also provide for or permit some form of reduced week of work to avoid layoffs. However, under present U.I. rules, that kind of unemployment is not covered by unemployment compensation. The proposed legislation for STC would make those management-union options real. Moreover, the union and management by agreement can always change the contract to permit work-sharing. The proposed legislation requires the concurrence of the bargaining agent in the decision to go to STC as an alternative to layoff.

Worksharing is now an alternative to layoffs. The proposed legislation does not create the alternative. All the proposed legislation does is provide a mechanism for compensating short time when management and the union, for whatever reasons, agree to such scheduling in order to avoid layoffs. If layoffs should become necessary, they would have to comply with the seniority requirements in the contract.

While the proposed legislation is targeted toward maintaining the job connection and benefits for the last hired and first fired (often disproportionately minorities and women), it also can protect older workers, who in a selective layoff may be among the first to go. Under STC, while all workers lose some time from work, and some money, no worker must suffer the terrible trauma of not having a job.

In California many senior union workers seem willing to share part of the burden of only partially compensated unemployment with more recent hires. About 14 percent of all firms on STC were unionized and 18 percent of participating workers were union members, which correlates to the percentage of unionization in the State of California.

8. "Workers in non-union shops would not lose their fringes."

In California and Canada, where fringes were not mandated there is no evidence that workers on STC were deprived of their benefits.

As an added protection the proposed legislation specifically requires that employers continue to provide health and pension benefits for employees on reduced workweeks at the same level as provided before the workweek reduction.

9. "Firms using STC would not be required to provide proof of the necessity for reducing work time."

While a "show cause" clause would provide an extra layer of protection for the employee, it would be difficult to implement and to make reliable assessment of a firm's necessity to cut back worktime. Moreover, no such requirement exists for use of regular U.I. for layoffs.

It seems unlikely in a recessionary period that the incentive would exist for cutting production before it was necessary. Furthermore, STC might cost a firm more than regular layoffs with U.I. because of the need to maintain fringe benefits for workers on STC.

Mr. CORMAN. Thank you very much. Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman, and thank you for finally getting to the committee so that perhaps I can have a breather in my office to deal with other legislation. It is an exciting idea.

And I always like demonstrations to be in my district or State when we are not hurt by the demonstration. And so when we start talking about it, I would want to make certain that no matter where it is——

Ms. SCHROEDER. It is in New York.

Mr. RANGEL [continuing]. That there are enough safeguards there to make certain that those that are going to be used to find out whether it is a good or bad plan, that they are not adversely affected. And I do not see those safeguards.

And I would rather use the pioneer State of California's results before the Secretary of Labor starts moving into new areas. One of the concerns that I have would be that economic incentives may inadvertently be given to the employer to move from a 5-day week to a 4-day week. Who really makes the decision whether there is going to be a lay-off except the employer? Who can fulfill the prophecy better than the employer?

I mean in your testimony you said it had to be real. It is real when he says you are fired. And if he can figure out some way where Government picks up 1 day's compensation and he pays for 4 and gets 5 days' work—and I am not saying I know of any example where that is done but it certainly seems like it could be an incentive for a guy to convert to a 4-day week—the employer does not really lose a 5-day pay—and the fellow can prove beyond any doubt that if you push him he could have laid off 20 percent.

Ms. SCHROEDER. That is possible, Charley. I have a feeling that maybe the employers in your area may be more enlightened than mine. My guess is that in my area it would be difficult to talk employers into using this plan. The reason being that if they could lay off 20 percent of the work force, they do not have to pay the fringe benefits; they do not have to maintain the paperwork load.

We have trouble in my area trying to talk people to move from part-time to full-time employment because they say they save so much money by not having to pay fringe benefits. In other words, I think it is not going to be easy. Maybe it is just Colorado. We have that wonderful brewery out there that is so humanitarian and sets the tone. I think our challenge is going to be to try to get employers to look at this as a viable option because it will clearly cost them more than if they flat lay off 20 percent.

It isn't a total solution for that very reason. There are going to be an awful lot of employers wanting to just flat lay off the 20 percent. But I think there are a lot of industries that need skilled workers—IBM, technical types of work, auto manufacturing—where they do not want to lose their sheet-metal workers, for example, and the different skilled people they have.

That is how employers would make up the cost difference. The cost to the unemployment fund isn't going to be any different with short-time compensation. However, the cost for the employer will be different because he is still going to be taking care of these people and providing fringes.

Mr. **Rangel.** What incentives would we be giving to State legislators to make employees eligible for 1-day unemployment compensation?

Ms. **Schroeder.** What incentive?

Mr. **Rangel.** Would not this take a State legislative change for it to be effective in jurisdictions that would want to try this?

Ms. **Schroeder.** I have a feeling that it is just what you mentioned at the very beginning of your questioning. There is always a hesitancy to be the first out of the box. States may view California in the leadership role. States would have to change their U.I. statutes. But the Secretary of Labor will provide technical assistance to States and pay the additional costs of implementing short-time compensation.

Western European countries have been using short-time compensation for years. It seems to me we are beyond waiting for that type of thing. Things are not going to get better. We have seen the unemployment predictions. Let's stop talking and see if we cannot change them. It is the carrot and stick. Give the States a little assistance. Nobody wants to go out and eat a bad vote. I think that you know that as well as I do.

In State legislatures there is very little incentive to do anything about this because they have always been able to ring unemployment around your neck and my neck—the Federal legislators. They say, "That is the one thing those turkeys down under the dome ought to be doing something about."

I think we need to add a little sweetener for States who want to implement short-time compensation. From the evaluation of the voluntary State programs and the Department of Labor demonstration project we will have data on the impact of short-time compensation programs on workers, employers, the U.I. trust funds, and the States.

Then we could say, "We put on a Federal demonstration program that proved if you guys amend your legislation in several places, you could have had this option."

Mr. **Rangel**. Mr. Brodhead.

Mr. **Brodhead**. There seem to be a number of disincentives for employers who might consider participating in this. They would probably have to continue to pay the social security and the health insurance, and other benefits they had in place for employees; those fixed costs would remain. Has there been enough experience in California so that you can tell about how many employers are interested in participating?

Ms. **Schroeder**. Let me say that I think Californians had best speak for themselves. But we do know in the Federal Republic of Germany over 770,000 employers used it during the last recession and they certainly have remained competitive and did not lose their market.

I think it may be an educational project for you and me to convince employers they should try this. I understand the State of Michigan is already looking at this as one option. But it is going to be something for all of us to work on very hard to try to convince employers.

I think the main areas where it will make sense for employers will be aircraft lines, automobile lines, places where they can see layoffs as a temporary change. They can save the costs of replacing the people they lose in the layoff and retrain the new people. Then maybe the cost of keeping people on with the fringe benefits balances out.

We will have to have new thinking. The California people can talk more about how few started out and how many more have signed on over a period of time. I think we will see more employers look at it the more it is known and is seen as a viable option.

Right now, unions have been negotiating in some parts of the country for a reduced workweek rather than layoffs, if that is an option. But there is no State except California that allows the reduced workweek with some unemployment compensation.

Some workers are on reduced workweeks but they do not get compensation. This would allow the unions to use short-time compensation as a negotiating tool and get remunerated from the unemployment compensation system if they do reduce work time.

Mr. **Brodhead**. Thank you.

We have a vote on.

Mr. **Rangel**. Thank you. Thank you very much.

The committee will stand in recess until after this vote.

[Whereupon, a brief recess was taken.]

Mr. **Corman**. The committee is about to proceed, if you would take your seats, please. We are pleased to welcome our colleague and good friend, Elwood Hillis. He is accompanied by Mayor Weagley, Mayor McMahan, and Mayor Daily.

We are very proud to welcome you to this committee. And I know you are the author of one of the pieces of legislation we are dealing with today, H.R. 6690.

STATEMENT OF HON. ELWOOD H. HILLIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. **Hillis**. Mr. Chairman and members of the committee, I certainly appreciate this opportunity to testify today on my bill, H.R.

6690. I want to begin by extending my personal thanks to the committee not only in scheduling hearings on the Emergency Unemployment Act of 1980, which I think is important but on other legislative matters in this area as well.

I have with me today three good friends from my district at home who, at my request, agreed to come here and talk about the effects of unemployment in their cities. And I want to introduce first, on my left, the mayor of Anderson, Ind., Mr. Tom McMahon; the mayor of Kokomo, Mr. Stephen Daily; and Mr. Fred Weagley, mayor of Marion, Ind.

I would like to submit my full statement for the record and to summarize it so that these gentlemen can have more time before you and respond to your questions.

Before we hear from them, I would like to say a few words about my bill. In thinking about the unemployment problem in central Indiana, I had two concerns. First of all, I was thinking about those who had lost their jobs and must rely on unemployment benefits as the sole means of income as compared with others who have some sort of supplementary program such as sub pay or TRA, with which we are so familiar, if they are in a trade-impacted unemployment situation.

There are many who have neither sub pay nor TRA. In Kokomo, Ind., where all the automatic transmissions are made for the Chrysler Corp., there are people today who are about to exhaust TRA. They have been out of work for 1 year or more with no immediate prospect of a return to employment.

In fact, I attended a meeting there yesterday in which we were told that it may be 2 years before half the people that are unemployed there will be back on the work force again. And for the other half, it will be much longer, if at all.

I have proposed a five-point program to help the United States to move toward reindustrialization and revitalization of the economy. H.R. 6690 is one of the five. It is truly an immediate short-term measure. It is an emergency measure. But I am sure these gentlemen will tell you we have an emergency.

It is designed to target unemployment areas where they are in the hardest hit communities; areas that have 10 percent or more of unemployment today.

The mayors who are with me represent different communities two—Kokomo and Marion—have populations of approximately 50,000 within the corporate limits and considerably larger when you consider the overall employment area that they serve; and Anderson, which is a larger community of the size of 80,000 in the corporate limits, and 100,000 in the immediate area.

What happens—as the mayors can document this for you—as unemployment goes up and becomes extremely high, as in these areas, it not only affects those in the streets who have lost their jobs, it affects the entire community as well. Service areas such as the barber shops and retail stores, the dry cleaning establishments, everything that serves the community, the professions, the restaurants—they all suffer a loss of revenue and in turn must lay off employees.

And with that, the crime rate goes up—petty theft, domestic vice, child abuse, wife abuse, divorces. The entire community eventually enters into kind of a psychological depression and every aspect of life is affected.

The object of my bill is to try to target in on those areas before that point. It is intended to try and stop the spread of the recession blight before it becomes a true depression nationwide. I think this is a good way to proceed. It is something that can be done rather quickly. The cost is not excessive in view of the cost of not doing it. We heard the figures from the first witness of $231 million for the next fiscal year. I think that is a little optimistic; but I think it probably can be done for under $300 million. I submit to the committee this is not only a wise investment but it is one that is relatively low. It is a very good investment when you consider what the options are.

If you sit back and watch to the point that we have to go down the route we did in 1974 and 1975, with a much more ambitious and wide-scaled program to meet an unemployment problem that has gone unaddressed too long it becomes very expensive. I hope H.R. 6690 will be an early solution to the problem and thereby be a less expensive one.

Indiana is a heavy automotive State, not as much as Michigan or perhaps Ohio. We have 92 counties and in 34 of those—one-third of the State—unemployment is over 10 percent. So one-third of our counties would qualify under this bill if it were enacted and in place today.

Unemployment varies quite a bit through the State.

Mr. Weagley, from Marion, who I am going to ask to speak first, has a community which has a well-balanced industrial base. The Fisher Body plant there has a lot of layoffs. Marion also has an RCA plant that is going well. It has other industry, but still has over 10 percent unemployment and needs this bill.

[The prepared statement follows:]

STATEMENT OF HON. ELWOOD H. HILLIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. Chairman and members of the Committee. I appreciate having this opportunity to testify today on H.R. 6690, the Emergency Unemployment Act of 1980 which I introduced in March of this year. With me today are three men who, at my request, agreed to come here and explain the effects of unemployment on their cities. I would like to introduce the mayor of Anderson, Ind., Mr. Tom McMahan; the mayor of Kokomo, Ind., Mr. Stephen Daily, and the mayor of Marion, Ind., Mr. Fred Weagley.

Before we hear from them I would like to say a few words about H.R. 6690. In thinking about the unemployment problem in central Indiana, I had two concerns. First I was thinking about those who have lost their jobs and must rely on unemployment benefits as a sole means of income. But I was also thinking about those still working who must pay for the unemployment benefits through their taxes. Therefore, it seemed obvious to me that if we are going to enact any type of additional unemployment benefits program, than it must be limited. It must address itself only to the most severe cases of unemployment. With the federal dollar in such great demand today, we cannot afford to enact an unemployment bill which would be terribly expensive.

H.R. 6690 was therefore designed to "target" unemployment benefits to only the hardest hit communities. Specifically, H.R. 6690 would provide for an additional 26 weeks of unemployment in labor market areas with an insured unemployment rate of 10 percent or higher.

It is important to remember that extremely high unemployment affects not only those who have lost their jobs, but entire communities. Businesses such as restaurants, barber shops, and retail stores, and others all suffer a loss of revenue. The crime rate in these cities goes up. They experience more petty theft, domestic fights, wife and child abuse cases, suicides, and divorces. The entire community enters into a psychological depression. It affects every aspect of life.

It is not relevent to the problems of communities with excessive unemployment that the nation's unemployment rate, on the whole, is lower. What is important, however, is that unemployment in that particular area, and often surrounding areas, is high. History tells us that those who find themselves unemployed will look for work in their communities and even communities in surrounding areas. But, it is unlikely that they are willing to move to distant labor market areas to find new employment unless the prospects of future work at home are extremely low. Although the unemployed might relocate; this takes a long time and could be very hard on the family.

Eventually, unless this situation reverses, the community becomes a less desirable place to live. Skilled labor leaves the area. City services suffer due to lower revenues. Then, as these gentlemen with me will testify, it becomes increasingly more difficult to attract new business to the area because of the cumulative effects of unemployment.

In Indiana we have an unemployment problem of major proportions. It is severe, and there is little hope that in the short run the economy will pick-up enough to offer much encouragement. We have 92 counties. Thirty-nine of our 92 counties have unemployment rates over 10 percent. Ohio county has an unemployment rate of 20.6 percent.

Judging from recent economic indicators, national unemployment will continue to rise; no more so, however, than in the industrial belt which is already heavily hit by unemployment. One major contributing factor to this problem in the midwest has been the slump in the auto industry. In early June domestic car sales dropped to a 20 year low. I fear we are seeing the beginning of a deep recession that will be a depression in the midwest.

Relatively speaking, some areas have been fortuitous that many of their unemployed are receiving TRA benefits. As the members of the Committee will recall, TRA benefits supplement unemployment benefits so that the recipient gets 70 percent of his weekly gross salary (not to exceed the national average weekly manufacturing wage for all industries). However, to qualify for TRA an individual must have worked for a company which is certified as import-impacted.

Normally, these benefits last for 52 weeks. Workers in approved training programs may receive up to 26 additional weeks of payments if needed to complete training. Those age 60 or over when laid off also may receive 26 additional weeks of benefits. By comparison, those not on TRA only receive unemployment benefits. These benefits vary from state to state but most often last for only 26 weeks, and in some states 39 weeks if they qualify for extended benefits.

We must consider the individual who lives in a city like Kokomo, Anderson, or Marion where unemployment exceeds 10 percent but who does not qualify for TRA. H.R. 6690 will not add to the benefits of those receiving TRA except that they could be eligible for 13 weeks of unemployment benefits after the TRA was exhausted. Also, H.R. 6690 will make a tremendous difference to those who find themselves in a city of high unemployment and whose benefits are running out. These are the people I feel we need to aim our efforts toward.

The Congress has recognized the special problems of high unemployment in the past. The Emergency Unemployment Compensation Act of 1974 authorized an additional 13 weeks of benefits after the normal and extended benefit periods of eligibility had been exhausted. In addition the Tax Reduction Act of 1975 provided for still another 13-week benefit period. The maximum peroid of eligibility was 65 weeks with the combination of all these different programs.

However, these bills were only temporary and have since expired. They were enacted as a general recognition by the Congress that a high rate of unemployment nationally was a major problem. Yet those same special problems still exist today, but at the local level. Under the provisions of H.R. 6690, the maximum period an individual could received benefits would be 65 weeks: 26 weeks of regular unemployment; 13 weeks if the state is eligible for extended benefits; and 26 weeks if the labor market area qualifies under the bill.

In my opinion, H.R. 6690 addresses the problems of the most severe cases of unemployment. Through "targeting" of unemployment benefits, we can alleviate some of these problems and also save the taxpayer substantial money. Members who represent industrial areas such as myself probably already understand that unemployment is a critical problem which demands our immediate attention. I asked these three Mayors who are with me to help impress upon the Committee that central Indiana and areas like it need your help. I urge you to listen closely to their testimony and remember them when considering further action on H.R. 6690.

Mr. HILLIS. To my immediate left is Mayor McMahan of Anderson, Ind., which has Delco Remy, a very large General Motors employer. Their unemployment rate is almost 20 percent.

And on my far left is my fellow townsman and good friend, the new mayor of Kokomo, Ind., Steve Daily. Kokomo has automatic transmissions for Chrysler plus Delco Electronics which makes all radios for General Motors. We are in between Marion and Anderson with an unemployment rate between 15 and 17 percent.

They can tell you what it is like to be mayor of a middle-sized, Midwest American community, that is facing a high unemployment problem and explain all the attendant problems that go with that.

STATEMENT OF FRED D. WEAGLEY, MAYOR, MARION, IND.

Mr. WEAGLEY. Thank you. I am Fred Weagley, mayor of Marion, Ind. Marion, the county seat of Grant County, Ind., is located 65 miles northeast of Indianapolis and 55 miles southwest of Fort Wayne along Interstate 69. The population of Marion is approximately 43,500, and of Grant County, approximately 85,000.

Although we are in the so-called auto industry belt, and much of our industry is auto-related, we do have a diversified economy consisting of industry in the wire product, glass product, paperboard container, radio and TV, and rubber product areas.

As mayor of a city severely affected by rising and continuing unemployment, I welcome the opportunity to testify before your committee on public assistance and unemployment compensation.

While we must continue to be concerned about the overall causes and effects of unemployment as it relates to all segments of our society, we are specifically concerned here with those individuals who have qualified, or will qualify, for unemployment benefits.

We are deeply concerned about the sometimes devastating effect on individuals and their families, who, having been laid off and having received unemployment benefits, then must face the reality of all benefits terminating because the period for payment has expired.

More specifically, Grant County, Ind., has a total labor force of 38,600 people. From January 1, 1980, to June 15, 1980, 6,059 people have applied for unemployment benefits. There are presently 3,795 people who are receiving unemployment benefits.

There have been 945 persons who have exhausted their regular benefits and an additional 207 persons who have exhausted the extended benefits which they were receiving.

According to the Indiana State Employment Security Division, Grant County is presently experiencing 10.3-percent unemployment. This figure is down slightly from last month due to some seasonal work being available.

To illustrate the effect of continuing unemployment on a community such as Marion, the Aid to Dependent Children program administered by the Grant County Welfare Department showed a decline in the number of recipients from 734 in 1976, 611 in 1977, to 530 in 1978. However, the number of recipients increased in 1979 to 552 and the projected figures for 1980 is 730 to 750 recipients.

We support H.R. 6690 as a needed addition to the present unemployment compensation law. When I say "we," I am not only speaking for local government and those who would receive the additional benefits, but for the majority of business, industry, labor, and citizens who have expressed themselves on this subject.

I would respectfully request that a portion of the letters which we have received from individuals setting out their plight and asking for a solution—which I have previously furnished—be made a part of this testimony.

In addition, I have submitted letters from major industries in Grant County that definitely show that the unemployment problem, as it exists today, is of unknown duration. In short, in Grant County, Ind., the end is not in sight.

In summary, we know that the need for additional unemployment benefits is definite and urgent. We feel H.R. 6690 affords the means to meet this situation in the areas that need it most.

Thank you for your consideration.

Mr. Chairman, if I could ask for a little more of your indulgence and time, as mayor of Marion and the Grant County area, I would like to interject some personal feelings into this subcommittee hearing at this time.

First, in discussing with persons in our city and community, they are very desperate at this time, and realizing that this House bill is only a short-term solution, but I think it is of immediate importance. These are good, hardworking people we are dealing with and not people who have not been in any other type of program.

I further feel the need is so great in these areas that we must take a look and attempt to find means for these people to survive this period of time while we are looking for other avenues of reemployment.

I would also like at this time to read into the record and submit to you, with your permission, two letters I have at this time. They are from the Marion Urban League and the Marion Area Chamber of Commerce.

From the Marion Area Chamber of Commerce, it reads:

Congressman Bud Hillis,
Washington, D.C.

Dear Bud: The Marion Area Chamber of Commerce supports your bill, H.R. 6690, to give 26 additional weeks of unemployment compensation to people who have exhausted all benefits. We think this will benefit the community over all as well as those in need.

J. R. Choate,
Executive Vice President, Chamber of Commerce.

Marion Urban League:

Dear Mayor: The Urban League board of directors passed a resolution at a June 19, 1980, board meeting in support of your testimony on Congressman Hillis' bill, 6690. Marion Urban League feels the program is essential for Grant County because we are experiencing high rates of unemployment in our county.

We would like to further recommend that the proposed unemployment benefits hopefully would be administered by the local unemployment office.

In closing, the Marion Urban League movement gives our word of support to your testimony on House bill 6690.

Rev. Les Borsey,
President, Marion Urban League.

Again, I would like to thank the subcommittee for listening to the plight of the citizens of Grant County and of Marion in taking their welfare into consideration. Thank you.

[Attachments to the statement follow:]

Fisher Body Division,
General Motors Corp.,
Marion, Ind., June 18, 1980.

Mayor Fred Weagley,
City Hall, Marion, Ind.

Dear Mayor: You recently requested we forecast our production trends at Fisher Marion into next year. While the task is difficult, I will attempt to be as accurate as predictions allow.

We will experience our annual model change the week of July 7, 1980, and at that time the majority of our people will be temporarily laid off.

At present, we employ 2,150 hourly employes and have some 650 hourly employes on layoff.

By the third week in August, we anticipate returning those number of employees now on the roll to work (2,150) and for the remainder of the year, we should remain pretty steady. This will still leave some 600 to 700 of our employes on layoff.

January and February are not traditionally good automobile sales months so we could drop off some at that time with predicted pickups in March and April and into early sumer. Whether or not this pickup will return all of our people to work or not remains to be experienced.

Sincerely,

Mark F. White,
Personnel Director.

Owens-Illinois,
June 18, 1980.

Hon. Fred Weagley,
Mayor, City of Marion, City Hall,
Marion, Ind.

Dear Mayor Weagley: In response to your inquiry of June 17, 1980, we do not anticipate any significant upward change in our total employment at the Gas City facility of Owens-Illinois, Inc., during the balance of 1980.

Sincerely yours,

J. F. Valduga,
Gas City Plant Manager.

U.S. Packaging,
Marion, Ind., June 20, 1980.

Subject: Projected employment levels-U.S. Packaging, Marion, Ind.

Mayor Fred Weagley,
City Hall, Marion, Ind.

Dear Mayor Weagley: The following information is provided in answer to your inquiry of June 18th concerning U.S. Packaging's current and future employment levels at the Marion plant. During 1979, this plant's average work force consisted of sixty-seven (67) hourly employees and sixteen (16) salaried employees. These eighty-three (83) employees operated the plant on a daily two shift basis.

At present, the plant is operating one shift. Current total employment of forty-seven (47) people is comprised of thirty-four (34) hourly and thirteen (13) salaried employees. It is anticipated that the work force will remain at this level the remainder of 1980.

Employment levels for 1981 are projected at fifty-three (53) people due to the addition of six (6) hourly employees.

Please contact me if any additional information is needed.

Sincerely,

P. Lawrence Brill,
Production Manager.

SPICER UNIVERSAL JOINT DIVISION,
DANA CORP.,
Toledo, Ohio, June 19, 1980.

Mayor FRED WEAGLEY,
City Hall, Marion, Ind.

DEAR MAYOR WEAGLEY: With regards to your request for my imput related to the economic and employment picture for us at Dana-Marion, I would like to make the following remarks.

A year ago we had approximately 1,250 employees at Dana-Marion and up till that point in time were looking at retaining this number and even increasing our numbers due to the addition of new products for the passenger car market. Since then we have watched our markets dry up to where we now have about 50% of our previous business and are employing approximately 600 people. Many factors, all well documented in most business and automotive newspapers and magazines give a multitude of reasons for our decline in care and light truck sales. As a result of this downturn and Dana's analyses of future growth in the vehicular market we, as a corporation, have begun withdrawing from these markets. As a result we are closing four plants to date that have produced car and light truck parts.

The Spicer Universal Joint Division of which Dana-Marion is a part will also be taking action to reduce their assets in light truck and passenger car parts. How the Marion Plant will be affected has not been determined at this time. We could either increase our employment by taking on the manufacturing commitments of one of our other plants in Ohio, Pennsylvania and Michigan or reduce our employment by giving up our products to these facilities.

If we did nothing to consolidate our assets and reduce our capacity, we would continue to operate in this depressed state for at least three more quarters and recovery would not come until early Spring of 1981. This would cause us to stay at the 600 man employment level for that period of time. We do not see any drastic recovery in the markets we now serve like occurred in 1974 and 1975. It will be a slow recovery with many new products replacing current ones. As seated in the attached Wall Street Journal article, we will be diversifying to go into other product fields which are compatible with the assets of this facility.

The key to deciding whether Dana-Marion is to be a part of this new growth market is our being able to show our division and corporation officials that we can make positive gains in productivity to meet our new goals. This requires the full dedication and cooperation of all our employees.

Hope this gives you some insight into the scenerio and helps to formulate your position with Representative Hillis.

Sincerely,

W. A. BARTKOWIAK,
Plant Manager.

Attachment.

[From the Wall Street Journal, June 11, 1980]

DANA'S EARNINGS FELL 66 PERCENT TO $15.6 MILLION IN FISCAL 3RD QUARTER

TOLEDO—Dana Corp.'s earnings for the fiscal third quarter ended May 31 plunged 66 percent, even more than the company had predicted, mainly because the depressed light truck market didn't stabilize.

During the quarter, the maker of car and truck parts earned $15.6 million, or 49 cents a share, on sales of $601 million, below year-earlier earnings of $45.4 million, or $1.41 a share on sales of $749 million.

For the nine months, Dana earned $85.7 million, or $2.49 a share, down from the year-earlier's $125.4 million, or $3.91 a share. Sales fell to $1.96 billion from $2.12 billion.

Dana said it doesn't expect the light recreational truck business, which has slumped in recent months, to improve significantly. The company has begun withdrawing from that market, which accounts for about 15 percent of its business. Overall, parts-making for light- and heavy-duty trucks makes up less than 50 percent of Dana's business, down from almost 60 percent last year.

Since the beginning of the year, Dana has closed four truck-part plants. The company hopes to sell the plants and to reinvest the proceeds in its industrial and service segments and in production for the heavy-truck market.

ACTIVE PRODUCTS CORP.,
Marion, Ind., June 18, 1980.

Mayor FRED WEAGLEY,
City Hall,
Marion, Ind.

DEAR MAYOR: In reference to our conversation of this morning, at this time regarding our present employment situation for 1980. Our peak employment has been 547 people.

We currently employ 159 people at this time. We forecast the possibility of recalling 50 additional people. We foresee no change unless the economic picture changes in the future.

Sincerely,

DONALD R. BEDFORD,
Plant Manager.

GAS CITY, IND.

I, Butch Mace have been laid off since March 1980. I have suffered hardships since I have worked for this company 11 years. My rent $280.00 mo., my utilities run $100 per month plus other bills. I am only getting sub pay 1 time a month. I think we should be available for an extension because our plant is automotively related. Your consideration of our plight would be appreciated.

Thanks.

BUTCH MACE.

MARION, IND.

To whom it may concern:

I am laid off from General Tire and have suffered hardships (layoff March). Because of my unemployment compensation is about to run out. I pay $150.00 mo. rent and $25.00 wk. support. My utilities run $100.00 mo. I am out of sub pay benefits and I also have other bills. I believe we should be entitled to extensions because our factory is automotively related. I have worked with this company 7½ yrs., and I also have my own family to support. Your consideration to this matter would be appreciated.

Thank you.

ROBERT G. OHEME.

MARION, IND.

To whom it may concern:

I have been laid off from General Tire since Feb. 1979. I have suffered hardships because of my unemployment running out. I am also out of sub pay. I pay $125.00 rent and utilities included. I pay out $90.00 in other bills. I have worked there 3½ yrs. I believe we should be entitled to this extension because our plant is automotive related. Thanks for consideration.

GLEN C. VOIGHT.

JONESBORO, IND., *June 17, 1980.*

DEAR SIRS: I am layed off from General Tire in Marion. I just bearly get by on my unemployment.

I get $87.00 a week. I pay $135.00 house payment. Utility bills and car payment and 2 other bills.

I only get $84.00 a month food stamps for me and 3 children.

My daughter has seizures and has bad eyes. Her medicine $18.79 every 6 weeks and her glasses need changed. No money for either one.

Taxes are due Aug. 1, $181.00 on my house.

There is no money for school clothes or lunches for the 3 children.

My daughter goes to a specialist in Ft. Wayne and Marion for glasses. Her vision is 20–40—20–70, only 7 years old.

My unemployment runs out August 6 and I'll have to apply for welfare. There is no medical on myself or my girl. The welfare office takes almost all my support each month so I have heard.

So please do what you can. It will be appreciated.

Thank you.

MRS. KAREN GUNTER.

Gas City, Ind., *June 17, 1980.*

Dear Mr. Weagley: I worked at General Tire in Marion for 7 years, have been layed off since November. My 26 weeks have run out now. I am on 13 weeks extension. Some people don't have any unemployment left. What are we going to do when that's all gone? It has been a rough 6 months for me but I hate to think what it would have been without unemployment. I think we ought to have a chance to draw benefits for a longer period of time because there isn't a chance for us to get another job at this time. Something should be done. So far we haven't been given any satisfaction on T.R.A.

I just wanted you to know and see what you could try to do about it.

I live in Gas City now but have lived and worked in Marion for the last 25 years.

Good luck in D.C.

Audra M. Owens.

June 18, 1980.

Mr. Obadat: It will be 3 or 4 weeks before I will get a check. I will like to see some change made. I will like to return back to work. I am very much in need for some money to pay on bill.

Yours truly,

Robert L. Thomas,
(*Clock No. 702*).

I have been laid off several times in the last few months and called back several times for 2 days a week and one time I only got 1 day. I wouldn't mind it if I would at least get enough time to make as much as I could draw from unemployment. But 2 days work amounts to about $14.00 less than unemployment after they get the taxes out. And when you reopen your claim and close it so many times finally they get it all messed up and one time I was almost 3 weeks getting my money. It sure is awful hard to make a living like this when they call you back. It looks like they would give you at least 3 days work and that would avoid opening and closing your claim so many times and still give you after taxes about the same money as your unemployment check which is only $87.00 and this is hard enough to try to live on, let alone less.

Robert E. Miller,
(*Clock No. 712*).

Matthews, Ind.

Dear Sir: We are off of work due to we make car at Gen Tire and we can't hardly make it on $74 a week, time we make our house payment and buy our Gro, and pay our light Bill, and Gas Bill we don't have nothing left. We don't know what we are going to do. No work so we don't know what to do.

Thank you.

Mrs. Wm. Bucktell.

June, 19, 1980.

To whom it may concern:

I have been laid off since Oct. of 1979. My unemployment has run out and I have suffered hardship. I was on maternity leave before I was laid off so what unemployment I was eligible for wasn't much but I was able to buy my food and pay my rent. My rent is $140.00/m and my utilities run around $10–$15/m.

I believe we should be entitled to an extension in benefits because our plant is automotive related. I have worked at General Tire at Marion for 6 years. Your consideration to our plight would be appreciated.

Thank you very much.

Carole Allen.

I've been laid off every since April 11, 1980 from General Tire and there is no other income coming in except for my $99.00 unemployment check and half the time it doesn't come in. I'm the sole supporter of my family and with all the bills and other necessities it's hard to get by. But hearing about the unemployment extension, I think it's a good idea because other than that there's no way any of us can get by.

Sincerely yours,

Ann Buchanan.

JUNE 18, 1980.

My name is Esperanza Melendez, I have been looking for a job since I been lay-off April 7th. But with out no luck. I even put in for a grant to get a better job but been turn down cause I made to much money last year, which isn't doing be no good. I just got a letter from the city of Marion, they tell me to wait till next year. I even had interview with no luck. Just a waste of gas, going to say we have the job filled or just plain no. I have been lay-off twice in 8 mo. I am living off 74.00 a week. It just cover my monthly bill like gas, water, light and a couple of other things beside my food. It doesn't go far at all at the end of the week my money gone. I will not have any money coming in at all after the middle of July cause my weeks of unemployment will be up unless they give me some more week or something. I still looking for a job. But so far nothing. I like a job more than anything right now.

Your truly,

ESPERANZA MELENDEZ.

MARION, IND., *June 19, 1980.*

I have worked at General Tire for over 12 years and have been laid off for more than 2 months due to the cut back in automobile sales. I think that since G.T. is an automotive related factory that its employees should be eligible for TRA the same as the UAW workers. Extended benefits are also needed as the lay-offs are becoming lengthy.

CAROLINE K. BISHOP.

Mr. HILLIS. I would like to introduce Mayor Daily of my hometown.

Mr. CORMAN. You don't have any problems getting decent accommodations in Chicago when you have tried?

STATEMENT OF STEPHEN J. DAILY, MAYOR, KOKOMO, IND.

Mr. DAILY. I have not tried.

Ladies and gentlemen, I am here today to tell you that times are tough in Kokomo, just as they are in Anderson, and in Marion, as my colleague here with me today will explain, just as they are in cities all over Indiana and across the Nation who placed all their economic eggs in the durable goods basket, who linked their survival as a city to the continued good health of one industry.

I would like to thank you for the opportunity to visit you today and to testify before this subcommittee about the severe employment problems facing Kokomo, Ind.

The city of Kokomo has struggled with an unemployment rate in excess of 10 percent for 7 of the last 8 months, since November 1979. Since our work force averages 44,500 each month, this translates to 4,450 people, at least, who have lost the ability to support their families.

Preliminary estimates indicate that as I speak to you today that number has risen dramatically, to 7,800 persons.

Workers laid off at the beginning of this economic downturn have now been unemployed for 32 weeks. The unemployment benefits have been exhausted. The major contribution to our problem, Chrysler Corp., has shown no signs to returning to its formerly dominant position in the economy of Kokomo. Although unsubstantiated by the company, latest reports indicate that the best we can expect is the recall of 50 percent of those now laid off.

With no unemployment insurance and no prospect for a return to their jobs, these workers are faced with the specter of leaving town to find food for their families.

The Chrysler Corp. is not the only contributor to unemployment in Kokomo. Delco Electronics, a division of GM, our largest employer, has 1,700 employees on indefinite layoff, and 700 more on seasonal layoff.

The past 2 years in Kokomo have seen the closing of the World Color Press and of the American Standard Pottery Co., and the loss of nearly 500 jobs in our community.

We have seen the Universal and Penn-Dixie Steel Companies undergo chapter 11 bankruptcy, putting hundreds of other jobs in jeopardy. Jobs traditionally held in our community by high school graduates and by college students home for the summer are now held by those who feel any job is better than no job at all. And the welfare and trustees assistance rolls are larger than ever.

The immediate problem faced by the laid off workers of Kokomo is obvious. The long-term impact on the city may not be so easily perceived. There is a kind of despair that pervades the actions of those who face day after day without viable employment. A kind of panic as each new opportunity for assistance is sought out, explored, and exhaused. There are a lot of calls to the mayor's office today asking for help.

If we are not able to ease this despair, if we can't offer some additional assistance to those out of work and out of unemployment insurance, there is a very real possibility they may leave our city.

The city of Kokomo achieved SMSA designation by a very slim margin after a special census in 1975. Even a small emigration from the city could endanger that status, which would have a tremendous impact upon our ability to qualify and compete for Federal funding which we use to supply services, and for economic development activities.

I want to emphasize one thing very strongly today: The city of Kokomo does not have its hand out. We come from an old, proud midwestern tradition that says you solve your own problems. We will do that in Kokomo.

Since January, Kokomo has undertaken intensive, long-range planning efforts aimed at diversifying our economy. We have worked with the Federal Department of Housing and Urban Development in three of their programs. We have worked with the Federal Economic Development Agency and the Indiana Department of Commerce.

Kokomo is familiar with the cyclical fortunes of the auto industry. We have always returned, stronger and better than before. I am certain that though this recession in the auto industry is longer, more severe, and carries greater consequences than ever, that Kokomo will return once more, stronger and better, and with a more diverse economy and more jobs for its citizens.

Our long-range plans to improve our plight will work if we can keep the people of Kokomo from losing hope and moving on. That is why I am here today, to support the three bills before this subcommittee. Each bill offers the type of assistance that will enable the people of Kokomo to survive this most current downturn and to retain their dignity.

H.R. 7529 offers the chance for people to remain employed on a part-time basis, avoiding the depression that comes from forced idlement.

H.R. 6540 and H.R. 6690 both offer direct financial support that is needed to prevent the outward migration that is our biggest fear in Kokomo.

From our perspective, H.R. 6690 appears to offer the best chance for direct help to Kokomo, Ind., but any of these bills will help; they represent the hope that Kokomo needs. They will buy us the time that we need to help ourselves.

I would ask that they receive your considered attention and prompt approval.

Thank you for hearing of our concerns today.

I would like to thank Congressman Hillis and his staff for providing us with this opportunity.

[The prepared statement follows:]

STATEMENT OF STEPHEN J. DAILY, MAYOR, KOKOMO, IND.

Gentlemen: Times are tough in Kokomo, just as they are in Anderson, and in Marion, as my colleagues here with me today will explain. Just as they are in cities all over Indiana and across the nation who placed all their economic eggs in the durable goods basket, who linked their survival as a city to the continued good health of one industry.

I would like to thank you for the opportunity to visit you today and to testify before this subcommittee about the severe employment problems facing Kokomo, Indiana.

The City of Kokomo has struggled with an unemployment rate in excess of 10 percent for seven of the last eight months since November, 1979. Since our work force averages 44,500 each month, this translates to 4,450 people—at least—who have lost the ability to support their families.

Preliminary estimates indicate that, as I speak to you today, that has risen dramatically to 7,800 persons.

Labor Force Estimates of the Indiana Employment Security Division will show you what I mean.

Month:	*Unemployment rate (percent)*
November 1979	9.9
December	12.2
1979 annual average	10.9
January 1980	13.7
February	13.5
March	13.4
April (preliminary)	15.0

Also, the unemployment rate for all of Howard County, in which Kokomo is situated, is at 15.8 percent and has paralleled the severity of Kokomo's unemployment problem during this same period.

Workers laid off at the beginning of this economic downturn have now been unemployed for 32 weeks. The unemployment benefits have been exhausted. The major contribution to our problem—Chrysler Corporation—has shown no signs of returning to its formerly dominant position in the economy of Kokomo. Although unsubstantiated by the company, latest reports indicate that the bes we can expect is the recall of 50% of those now laid off.

With no unemployment insurance and no prospect for a return to their jobs, these workers are faced with the spectre of leaving town to find food for their families.

The Chrysler Corporation is not the only contributor to unemployment in Kokomo. Delco Electronics, our largest employer, has 1,741 employees on indefinite layoff, and 700 more on seasonal layoffs. The past two years in Kokomo have seen the closing of the World Color Press and of the American Standard Pottery Company, and the loss of nearly 500 jobs in our community.

We have seen the Universal and Penn-Dixie Steel Companies undergo Chapter 11 bankruptcy and Universal Steel faces it a second time. The loss of these could mean the loss of an additional 1,800 in the city.

Jobs traditionally held by high school graduates and college students home for the summer are now held by those who feel any job is better than no job at all and the welfare and trustee's assistance rolls are larger than ever.

The immediate problem faced by the laid-off workers of Kokomo is obvious. The long-term impact on the city may not be so easily perceived. There is a kind of despair that pervades the actions of those who face day after day without viable employment. A kind of panic as each new opportunity for assistanec is sought out. There are a lot of calls to the mayor's office asking for help.

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The City of Kokomo achieved SMSA designation, by a very slim margin, after a special census in 1975. Even a small emmigration from the city could endanger that status which would have a tremendous impact upon our ability to attract and compete for federal funding which we use to supply services, and for economic development activities.

I have made several attempts to help the people of Kokomo since I came to office in January. Coming to Washington today is one of them. The CETA Program is larger now than it has been in years. We are cooperating with the SPEDY programs to provide jobs within the city.

I want to emphasize one thing very strongly. The City of Kokomo does not have its hand out. We come from an old and proud Midwestern tradition which says that you solve your own problems. We are doing that in Kokomo.

Since January, Kokomo has undertaken intensive long-range planning efforts aimed at diversifying our economy. We have worked with the federal Department of Housing and Urban Development in three of their programs. We have worked with the Economic Development Agency and the Indiana Department of Commerce.

Kokomo is familiar with the cyclical fortunes of the auto industry. We have always returned, stronger and better than before. I am certain that, though this recession in the auto industry and in the nation is longer, more severe and carries greater consequences than ever, that Kokomo will return once more, stronger and better, and with a more diverse economy and more jobs for its citizens.

Our long-range plans to improve our plight will work if we can keep the people of Kokomo from losing hope and moving on. That is why I am here today; to support the three bills before this subcommittee. These bills represent the hope that Kokomo needs. They will buy us the time we need to help ourselves.

I would ask that they receive your considered attention and prompt approval.

Thank you for hearing the concerns of our city. I would like to thank Congressman Hillis and his staff for providing me with this opportunity.

Mr. Hillis. I would like to introduce Mayor McMahan of Anderson, Ind., who has the highest unemployment rate in the Nation.

STATEMENT OF THOMAS R. McMAHAN, MAYOR, ANDERSON, IND.

Mr. McMahan. Anderson, Ind., is a city of approximately 72,000 people. It is the county seat of Madison County, which constitutes our SMSA, which has a populatoin of about 140,000. It is located 34 miles northeast of Indianapolis and lies on Interstate 69.

We encompass about 36 square miles. We have about 27,000 housing units. The effective buying income of the county in 1978 was over $1 billion. The average household effective buying income was $20,900.

I have the dubious distinction of being mayor of the town with the highest unemployment rate in the Nation.

The principal employers in Anderson are Delco Remy and Guide Divisions of General Motors. The employment at the two divisions 1 year ago was 15,100, and 6,000 employees respectively. As of June 20, 1980, employment was 10,300 and 4,300, a reduction of 6,500.

Other manufacturing includes recreation equipment, pumps, glass machinery, corrugated paper boxes, tools, meat packing, dairy products, mattresses, railroad equipment and springs for furniture. These firms comprise a total employment of about 2,500.

I am testifying here today in support of H.R. 6690 which will provide much needed unemployment benefits for those parts of the country where unemployment is 10 percent and higher. Anderson, Ind., is one of those areas. It was revealed to me just yesterday on my way out of town by the Indiana Employment Office that our unemployment rate for May had risen to 19.2 percent. This makes us nervous.

A little more specifically and to give you an idea how this has happened—it kind of snuck up on us I guess—the unemployment rate in our SMSA from January through June of last year ranged from 6 to 7 percent. The range from July through October was from 8.3 to 9.7 percent. In November we hit 10.9. In December we hit 14.8 percent unemployment.

The rates for January, February, March, and April of this year were 16.1 percent, 17.5 percent, 16.4 percent, and 16.4 percent. The rates for the city of Anderson are about 0.5 percent higher than the county SMSA.

Statistics for the week ending June 14 reveal that we had total claimants in our Anderson office of 6,708 people; non-GM claimants, and this is important, amounted to 1,589, which is 23.7 of the claimants at our Anderson office; 23.7 of those claimants were non-GM employees.

During the month of May of 1980, 669 people exhausted their regular unemployment benefits. And a total of 1,843 have exhausted their benefits since January 1, 1980.

In case you are interested in the effect of high unemployment on the Anderson community, the community has endeavored to anticipate and prepare for unemployment as it has steadily increased. This has been accomplished by close communication and interaction between the social agencies, utility offices, financial institutions, concerned ministers, labor unions and the city administration.

Many unemployed have conserved their resources by careful budgeting. Township and county welfare agencies have been severely taxed. Emotional stresses resulting from unemployment have been below expectations and I can say I am very very proud of the people of our community for their positive reaction to this very distressing situation.

Over 5,600 General Motors employees laid off have been eligible for supplemental unemployment benefits (SUB). This feature has "saved our bacon." Three hundred employees have exhausted their benefits. An additional 500 could exhaust benefits by August 1.

If TRA is not funded and the present level of unemployment holds, the SUB fund should remain solvent through the balance of 1980. The extension of unemployment compensation would not improve the SUB situation; however, TRA payments would have the effect of replacing SUB and restoring the solvency of the fund.

Nearly 300 laid off GM employees have taken employment out of town in other GM divisions. This constitutes a loss to the community of valuable citizens.

The community's unemployment problems continue to intensify as, (1) unemployment among retail and service activities, construction, insurance, real estate, et cetera, increases and, (2) the general economy worsens. These segments of non-General Motors now account for nearly 25 percent of our unemployment.

It is this area which would benefit most by the emergency unemployment compensation provided under H.R. 6690.

Worthwhile employment opportunities for our youth has become practically nonexistent and even low-skill youth employment opportunities are minimal.

All unemployment figures given must be multiplied where minorities are concerned. Anderson has a minority population, mostly black, of about 8,000. Unemployment among this group of our citizens is conservatively estimated to be 30 to 40 percent. A majority of these persons are probably not reflected in the unemployment figures cited. This is of extreme concern.

The city of Anderson resents the label as "the city with the highest unemployment rate in the Nation." We recognize that unemployment benefits are not the answer. The answer is gainful employment opportunities for all people willing and able to work.

We are making a concerted effort to diversify our industry by a combination of leadership and resources, both from the public and private sector, using all the tools available to us. But this is a slow process.

Again, emergency unemployment compensation, as provided in H.R. 6690, will help to offset the unemployment hardships as this effort takes place.

At the risk of getting into a broader subject, I think, Mr. Brodhead, you might appreciate these comments. I think that our best opportunity to recover substantial employment in a relatively short time is through the revitalization of the American automobile industry of which our two GM divisions are an integral part.

Although the solutions to this dilemma are outside the direct purview of this subcommittee, as congressional lawmakers you are in a position to exercise a vital influence. This industry affects one of 12 manufacturing jobs in the United States.

Massive retooling of plant and equipment necessary to meet the newly defined dictate of the marketplace and the Federal Government for smaller, more fuel efficient cars will cost GM alone $40 billion over the next 5 years. They must be helped and encouraged to accelerate the retooling now in progress. The sooner we are able to turn out a new generation of small cars, the sooner we can compete on an equal footing with foreign automakers.

Liberalizing tax and investment credits and depreciation schedules in ways to produce additional cash would be a big help. Getting inflation under control would nudge interest rates down.

In addition, the imposition of an import fee on foreign cars to fund TRA benefits should be considered. On the other hand, if we are to continue with "free" trade then let's make it "fair" trade as well. Finally, a thorough review of Federal regulations governing fuel efficiency, emissions standards and safety would be in order.

The clincher to this approach to automotive industry unemployment, specifically as it relates to Anderson, Ind., involves our local workers, labor union leadership and management. As new jobs resulting from redesign and tooling evolve, it is incumbent on workers and union leadership to rededicate themselves to productivity and quality of work which will make up our plants competitive in the international market. Armed with this commitment, it is equally incumbent upon the management of our plants to aggressively seek out these jobs for Anderson workers. I believe all locally concerned parties will subscribe to this challenge. It could well be our economic salvation.

I want to thank you for listening to me and listening to the unemployment concerns of Anderson, Ind. I hope you will give favorable consideration to these suggestions.

[The prepared statement follows:]

STATEMENT OF THOMAS R. MCMAHAN, MAYOR, ANDERSON, IND.

Anderson, Indiana is a city with an estimated population of 72,000. It is the County seat of Madison County, which constitutes the Anderson SMSA, with an estimated population of 140,000. Anderson is located 35 miles northeast of Indianapolis in Interstate 69. The city encompasses 36 square miles with slightly over 27,000 housing units. The effective buying income of the County in 1978 was over one billion dollars. The average household effective buying income was $20,900. I am Thomas R. McMahan, Mayor of Anderson.

The principal employers in Anderson are Delco Remy and Guide Divisions of General Motors. Employment at the two Divisions one year ago was 15,100 and 6,000 respectively. As of June 20, 1980, employment was 10,300 and 4,300, a reduction of 6,500. Other manufacturing includes recreation equipment, pumps, glass machinery, corrugated paper boxes, tools, meat packing, dairy products, mattresses, railroad equipment and springs for furniture. These firms comprise a total employment of about 2,500.

I am testifying here today in support of H.R. 6690 which will provide much needed unemployment benefits for those parts of the country where unemployment is 10 percent and higher. Anderson, Indiana is one of those areas.

Following is a summary of the average Wage and Salary Employment in nonagriculture establishments in the Anderson SMSA in 1979:[1]

	Percent
Total establishment employment	52.8
Manufacturing:	
Durable goods	22.6
Nondurable goods	1.8
Nonmanufacturing:	
Construction	1.3
Transportation, communication, and utility	1.6
Trade:	
Wholesale	1.2
Retail	9.5
Finance, insurance and real estate	1.7
Service and miscellaneous	7.1
Government	5.8

The unemployment rate for the Anderson SMSA from January through June, 1979 ranged from 6 to 7 percent. The range from July through October was 8.3 to 9.7 percent. November was 10.9 percent and December 14.8 percent. Rates for January, February, March and April were 16.1, 17.5, 16.4, 16.4 percent respectively. Rates for the city of Anderson are about .5 percent higher than the SMSA.

All above information is from the Indiana Employment Security Division.

Statistics for the week ending June 14, 1980:	*Number*
Total claimants, Anderson office	6,708
Non-General Motors claimants	1,589
Percent of claimants, non-GM	23.7

During the month of May, 1980, 669 people exhausted their regular unemployment benefits. A total of 1843 have exhausted their benefits since January 1, 1980.

EFFECT OF HIGH UNEMPLOYMENT ON THE ANDERSON COMMUNITY

1. The community has endeavored to anticipate and prepare for unemployment as it has steadily increased. This has been accomplished by close communication

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[1] Indiana Employment Security Division (BM December, 1978) released March, 1980.

and interaction between social agencies, utility offices, financial institutions, concerned ministers, labor unions and the city administration. Many unemployed have conserved their resources by careful budgeting. Township and County Welfare agencies have been severely taxed. Emotional stresses resulting from unemployment have been below expectations.

2. Over 5,600 General Motors employees laid off have been eligible for Supplemental Unemployment Benefits (S.U.B.). This feature has "saved our bacon". 300 employees have exhausted their benefits. An additional 500 could exhaust benefits by August 1st. If TRA is not funded and the present level of unemployment holds, the S.U.B. fund should remain solvent through the balance of 1980. The extension of unemployment compensation would not improve the S.U.B. situation; however, TRA payments would have the effect of replacing S.U.B. and restoring the solvency of the fund.

Nearly 300 laid off GM employees have taken employment out of town in other GM Divisions. This constitutes a loss to the community of valuable citizens.

3. The community's unemployment problems continue to intensify as, (1) unemployment among retail and service activities, construction, insurance, real estate, etc. increases and, (2) the general economy worsens. These segments of non-General Motors now account for nearly 25 percent of our unemployment.,

It is this area which would benefit most by the Emergency Unemployment Compensation provided under H.R. 6690.

4. Worthwhile employment opportunities for our youth has become practically non-existent and even low-skill youth employment opportunities are minimal.

5. All unemployment figures given must be multiplied where minorities are concerned. Anderson has a minority population, mostly Black, of about 8,000. Unemployment among this group of our citizens is conservatively estimated to be 30–40 percent. A majority of these persons are probably not reflected in the unemployment figures cited. This is of extreme concern.

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Liberalizing tax and investment credits and depreciation schedules in ways to produce additional cash would be a great help. Getting inflation under control would nudge interest rates down. In addition, the imposition of an import fee on foreign cars to fund TRA benefits should be considered. On the other hand, if we are to continue with "Free" trade then let's make it "Fair" trade as well. Finally, a thorough review of federal regulations governing fuel efficiency, emissions standards and safety would be in order.

The clincher to this approach to automotive industry unemployment, specifically as it relates to Anderson, Indiana, involves our local workers, labor union leadership and management. As new jobs resulting from redesign and tooling evolve, it is incumbent on workers and union leadership to rededicate themselves to productivity and quality of work which will make our plants competitive in the international market. Armed with this commitment, it is equally incumbent upon the management of our plants to aggressively seek out these jobs for Anderson workers. I believe all locally concerned parties will subscribe to this challenge. It could well be our economic salavtion.

Thank you for listening to the unemployment concerns of Anderson, Indiana.

Mr. **Corman**. Thank you very much. We appreciate it.

Mr. **Hillis**. I might say in conclusion all these gentlemen are new mayors. They took office at the first of January of this year. I do not know whether they would have done so or not if they knew what they were getting into as far as this unemployment problem.

I say that tongue in cheek. But they are tackling and trying to solve the problem with what tools they have at home. It is very important they have some help from Washington so they can go forward and institute the programs on a self-help community base, and make it work and stick together.

I think the mayor of Kokomo made a good point. People will stay only so long before they are going to leave. It is hard on the family to pull up roots and try to pursue a job in the East or West where they hear the employment situation is better.

It seems to me we are better off to try to treat this problem now and target in on it. Legislation as H.R. 6690, would allow an individual of up to 65 weeks of unemployment—26 weeks of regular employment, and 13 weeks if the State is eligible for extended benefits, and then 26 weeks under this bill if the labor area qualifies.

I think that is the least we can do under the stress and strain of the current industrial situation that pervades our country and particularly faces the automotive industry.

Mr. **Corman**. Thank you. Mr. Rangel.

Mr. **Rangel**. Thank you.

I just want to take this opportunity to thank Congressman Hillis, who is my neighbor down here, and to congratulate you for the legislation which I think is good for your hometown but most importantly is good for the Nation.

And I want to tell the mayors that you have a leader down here that recognizes the problems that we are facing. I commend you for the unique way in which you dramatically place this matter before the subcommittee by bringing the mayors who are down on the frontline every day. It is deeply appreciated by this member. I support the legislation. I will do all I can to see whether we can get the administration to understand how important it is.

Mr. **Corman**. Mr. Brodhead.

Mr. **Brodhead**. Thank you, Mr. Chairman. I want to also thank my colleague, Bud Hillis, for his testimony and for bringing the mayors here. I think it is a very eloquent statement of the problem that the downturn in the American automobile industry has created, not just for the city of Detroit or the State of Michigan but for small towns and cities and all across the country.

We Members of Congress ought to be giving much more serious thought than we have to date to these problems, and to what we are going to do about revitilizing this industry.

I think it has been extremely helpful and eloquent testimony. I thank you all for being here.

Mr. **Corman**. Thank you very much. Our next witness is Lt. Gov. James H. Brickley of the State of Michigan. Governor, we are pleased to welcome you to the committee. If you have a prepared statement you would like to submit——

STATEMENT OF JAMES H. BRICKLEY, LIEUTENANT GOVERNOR, STATE OF MICHIGAN, ON BEHALF OF THE NATIONAL GOVERNORS' ASSOCIATION AND THE STATE OF MICHIGAN, ACCOMPANIED BY ANN DONOHUE, NATIONAL GOVERNORS' ASSOCIATION; CAROL HAUPT, MICHIGAN EMPLOYMENT SECURITY COMMISSION; AND C. PATRICK BABCOCK, DIRECTOR, MICHIGAN DEPARTMENT OF LABOR

Mr. BRICKLEY. I have with me Ann Donohue from the National Governors' Association; and Carol Haupt from our unemployment compensation office; and Pat Babcock, director of our department of labor.

Hopefully this morning you will get two for the price of one because I am representing both the National Governors' Conference and then representing our own State and my Governor, Governor Milliken. Let me begin by reading the statement of the National Governors' Association, if I may, and convey their message.

It represents the composite judgment of the Governors generally. There may be some differences. And maybe I will take a somewhat stronger position when I speak in a few minutes on our own State's behalf. Let me begin by reading the statement.

The National Governors' Association is encouraged that your deliberation will precede any Federal response to our present recession-prone economy.

After passage of the Federal-State extended benefits program in 1970, Public Law 91-373, subsequent congressional action, especially during the 1974-77 recession, established several different triggers for additional weeks of unemployment compensation benefits in rapid and often contradictory fashion.

Economic downturns, resulting in periods of very high unemployment, appear to have become an all-too-regular part of our national economy. In view of this Governors urge that Congress consider a coordinated Federal policy that draws on several mechanisms to encourage economic recovery.

In an attempt to address this concern, the 1980 annual meeting of the National Governors' Association to be held this August in Denver will focus three standing NGA committees on various governmental responses available for countering a recession in an inflationary economy.

The Committees on Human Resources, Community and Economic Development, and Executive Management and Fiscal Affairs will discuss programs that have been called forth in the past, often with little time for effective planning, that might work better if coordinated and planned earlier. Such options have included public service employment buildup, local public works, tax cuts, countercyclical revenue sharing and extension of unemployment insurance.

In this context we appreciate the interest of Representative Bill Brodhead of this subcommittee in establishing the standby authority for an additional period of unemployment compensation. His bill, H.R. 6540, would provide for 13 more weeks of emergency benefits when regular and extended benefits have been exhausted in a particular State.

We recognize that future action by Congress could alter some provisions of the bill so we will not analyze each of its sections here but want to emphasize that the costs of such a program, which are beyond the responsibility and fiscal capacity of the UI system, should be assumed by the Federal Government.

As we learned from the first national recession, the UI system can get assistance to eligible people quickly and efficiently but the financing mechanisms of State and Federal trust funds are not now, nor were they then able to absorb the unanticipated shock of up to 26 additional weeks of benefits.

Several States still have outstanding loans to be repaid to the Federal trust fund as we now face another recessionary period. H.R. 6540 recognizes this problem and provides for general revenue financing for future additional emergency benefits.

We do urge that States be given the option to implement innovative work and training programs while individuals are receiving these additional benefits, including the flexibility to provide benefits as training stipends for limited periods of time.

Such programs could provide a further stabilizing effect on local economies by preparing workers for new employment opportunities, especially those who might otherwise be permanently dislocated.

Two other proposals on the agenda today suggest other strategies for countering the effects of high unemployment. Representative Patricia Schroeder's bill, H.R. 7529, would provide some Federal financial assistance for the administrative costs for States that implement short-time compensation programs; that is, reducing hours worked as an alternative to layoffs in a business experiencing a slump.

States would be encouraged to provide prorated unemployment insurance benefits to supplement the wages of an individual whose work week has been reduced by at least 10 percent.

Again the National Governors' Association is interested in exploring alternative counterrecessionary programs but we are concerned about the increasing demands made on both UI administrative system, as well as on the UI trust funds. We are studying the State of California's experience with short-term compensation and know that other States are discussing similar efforts to avoid or reduce the possibility of massive layoffs.

We appreciate the ideas offered by Representative Schroeder but wonder if Federal legislation is called for at this time, since each State must necessarily assess the many ramifications of altering its UI plan and each State's assessment must be made independently.

This measure will spark an important discussion of short time, and NGA will continue to study and disseminate information on it and to seek answers to the many questions it raises.

Congressman Hillis' bill, H.R. 6690, would increase the unemployment compensation benefit period to 65 weeks in areas where the insured unemployment rate exceeds 10 percent. Two areas of concern there are the fact that the standards are not statewide; it breaks down into several sectors in the States.

And the other concern is the triggering device and our ability, the ability of the various States to participate.

Obviously the National Governors' Association finds Congressman Brodhead's measure to be the most immediate and direct and manageable way to help put out a fire.

Let me say on behalf of the National Governors' Association we thank you for letting me introduce their thoughts.

And now, talking about putting out fires, let me talk about a State that I think is generally recognized as carrying a disproportionate share of the troubles of this country on its own shoulders.

There are four things about Michigan you ought to know. Michigan, like every State, is experiencing to some extent the recession. We do not blame anybody else for that. We are willing to carry our share of the recession. But we are also carrying a disproportionate share of the energy crisis, which has come upon us so quickly as the result of international and national events and has changed dramatically the purchasing habits of the American people of automobiles.

And probably one of the most flexible industries in the country, if not in the world, is the automobile industry. They are accustomed to changing models and retooling every year. They have been doing that more than some of us think they ought to. Even they could not adjust quickly enough as the result of the changing tastes and habits of the buying public as far as automobiles are concerned.

So that is a Michigan problem more than it is anybody else's. Then there is the fact that we are heavily dependent on manufacturing. There are many benefits for a State where we have one of the highest wage structures in the country of all the States. We have been blessed in many ways as the result of being heavily dependent on manufacturing and particularly on automobile manufacturing, but now we pay the penalty for that.

And lastly another factor that is Michigan's alone and has compounded the problem is the fact that one of the country's major corporations which has its home in Michigan, Chrysler, has problems above and beyond the energy and recession problems. You take all of those on together and load them onto one State, even a great State like the State of Michigan, and I am telling you ladies and gentlemen it is a serious problem.

Several of our State legislative leaders called a press conference yesterday and said they were going to suggest legislation to have a new Federal law to declare an economic disaster. We had a tornado in Kalamazoo a few months ago. We evoked the physical disaster bill. They are going to suggest we have an economic disaster law that would trigger a lot of aid to the State.

I am not talking on behalf of that. I just want to tell you the depth of the problems in the State of Michigan.

We have now an unemployment rate in Michigan, as you know, that is just shy, of being twice that of the national average. In the course of a year the unemployment claims have tripled to the extent that it is now at a rate of 450,000, almost a half a million.

The already established 13 weeks additional benefits, we now have about 75,000 people on that. Right now 90,000 people have exhausted their benefits, even taking in to consideration the TRA program and taking into consideration the present 13 weeks' extension.

We anticipate by the end of the year another 175,000 people will have exhausted their benefits. We could well be talking about a minimum of a quarter of a million workers in our State who have exhausted all of these benefits that are now in place.

The unemployment compensation payout in Michigan is $6.3 million a day in our State. We have borrowed $330 million from the Federal trust fund and we have applied now for another $210 million in additional borrowings.

Now the saddest part of it all is that our State revenues are reducing and our projections are almost changing on a daily basis; we have had to cut back in education, when we have had to cut back in mental health and lay off mental health workers; and at the same time our welfare caseload is going up at a rate of about 2,000 a month.

And while we are laying off State employees in other areas, we are hiring caseworkers. I have to tell you frankly our general assistance program, which is not contributed to by the Federal Government—the one that we carry ourselves and is very basic welfare in the State of Michigan for people who come under no other category—that that is in many cases becoming a supplementary unemployment compensation program.

And the tragedy in it is we have working people in our State who have never been out of work and now who have to say they have to sell their boat and sell their automobile to come down and strip their assets in order to qualify for welfare benefits.

And it is a very wrenching experience for a sizable number of people in our State.

We find that Congressman Brodhead's bill will give us the most easily managed, the most immediate relief that we think has been tested. And I see these other measures that, as I indicated in my testimony on behalf of the Governors' Association, that they are interesting proposals, but very frankly when you are in the midst of trying to put out a three alarm fire you do not want to be talking about changing fire fighting techniques.

And some of those other proposals do that. And we are just too inundated with the immediate problem I think to find ourselves wanting to prefer either of those others two measures: even though each of them has some very interesting concepts.

Certainly adding 26 weeks, we would not quarrel with that. But we must quarrel with the techniques that are used and wonder whether we can administratively handle it immediately.

Finally, let me just say, Mr. Chairman and members of the committee, that I know the wrenching experiences you are having here in Washington trying to balance your budget and coming to grips with a lot of problems that have come home to roost over a long period of time.

I just want to tell you that relatively speaking our problems are worse than yours. We are cutting back on government expenditures more quickly than you are because we have to in order to have our budget balanced. Our stress areas of government service are rising faster than yours are overall otherwise we would not be here to compound your problems—and I know yours are very real—but I just have to tell you in almost 20 years of public service I have never seen a situation that I find as dramatic as this one.

You have a measure here that will give us the immediate relief we need. It has been used before. In my judgment it ought to be used again. Help us so that we are not carrying a disproportionate share of the Nation's problems.

With that I will stop.

[The prepared statement follows:]

STATEMENT OF LT. GOV. JAMES H. BRICKLEY, ON BEHALF OF THE STATE OF MICHIGAN

Mr. Chairman and members of the Subcommittee, I am James H. Brickley, Lieutenant Governor of the State of Michigan. I am pleased to come before you today to offer testimony on three bills which your Subcommittee is now considering, namely H.R. 7529, H.R. 6690, and H.R. 6540.

GENERAL INTRODUCTION

As you know, the current recession has hit Michigan very hard. Because of its concentration of employment in the auto and auto-related industries, which have been particularly hurt by foreign imports and otherwise declining sales, the unemployment rate in Michigan has nearly reached the record levels experienced during the 1974–75 recession. In May 1980, 14 percent of Michigan's labor force was unemployed, contrasted with a U.S. unemployment rate of 7 percent for the same period. It has been forecasted that the Michigan rate will reach 15.4 percent by the third quarter 1980 and that the annual average rate will be 13.7 percent for 1980.

The number of unemployment insurance claims tripled between July 1979 and June 1980, to 452,000 regular and extended benefits (EB) claims. The extended benefit program triggered "on" in Michigan in week ending October 6, 1979, and to date $130 million in extended benefits have been paid. In early June about 75,000 claimants were collecting extended benefits but, through May 1980, another 90,000 had already exhausted their entitlement. In addition, between December 1979 and June 1980, nearly 200,000 Trade Readjustment Allowance (TRA) claims from workers at Chrysler, Ford, General Motors, and miscellaneous smaller companies were filed, with an additional 40,000 General Motors and Ford claims expected to be filed. TRA benefits were being paid out at a rate of $1,000,000 a day, until federal funds were exhausted and payments had to be discontinued. Until that time, approximately $145,000,000 in TRA benefits had been paid.

Michigan is presently paying $6.3 million a day in regular and extended benefits. Because of the huge claims load, the state has had to borrow $330 million from the federal government to pay its unemployed workers. An additional $210 million loan has been requested.

Although TRA has helped Michigan workers a great deal, there are still many workers who have been laid off in supplier and other industries who are not eligible for TRA benefits. When a severe recession occurs in Michigan, particularly when many auto and auto related workers are displaced from their jobs, there is a historical pattern of prolonged unemployment. It generally takes several years for the employment in the auto industry to return to pre-recession levels.

As in previous recessions, Michigan again leads the nation in unemployment. However, other large industrial states are now beginning to feel the effects of the recession as it deepens. For example, the May unemployment rate for New Jersey was 8.1 percent; Ohio had 8.7 percent; New York, 7.4 percent; Illinois, 7.3 percent; and Pennsylvania, 7.4 percent. Therefore, legislation to provide extra assistance to help these masses of displaced workers who are unemployed through no fault of their own would be highly desirable at this time. With this background information in mind, I would like to offer our comments on the specific bills under consideration.

WORK SHARING—H.R. 7529

First, in general, we favor legislation of the nature of H.R. 7529. This bill encourages states to create short-time compensation programs which would permit a business experiencing a temporary, decreased demand for its goods or services to avoid layoffs by reducing the number of hours or days worked, and allowing its employees to receive a reduced unemployment benefit while still working.

Incentives in the form of grants and technical assistance are provided to states which enact short-time compensation programs following the guidelines set forth in the bill. The proposed legislation also provides for demonstration projects and further study of the work-sharing concept. Because the purpose of this bill is exploratory in nature and encourages experimentation in a new area of unemployment assistance, we would lend our support to its enactment. We definitely believe the concept deserves further study and consideration.

In fact, we have been independently studying the feasibility of implementing such a program in Michigan. The Michigan Employment Security Commission is reviewing the matter and will be releasing its recommendations within a very short time.

26-WEEK EXTENSION—H.R. 6690

We oppose enactment of H.R. 6690, which provides for an additional 26 weeks of benefits to individuals who have exhausted all other entitlement, when the insured unemployment rate in a labor market area exceeds 10%. Although, in general, we favor legislation to increase the duration of unemployment compensation during extended periods of high unemployment, the provision for numerous labor market area triggers within a state, operating independently of each other, makes this bill undesirable. In theory, area triggers would result in an unfair and arbitrary application of the state unemployment insurance program. Claimants who had been employed last in a labor market area which had not triggered "on" would not be entitled to benefits under this proposed bill, while claimants who were last employed in an affected area would be entitled. In other words, benefits would be available by virtue of the claimant's last place of employment, rather than on the claimant's particular need. The loss of a major employer in a labor market area might conceivably be sufficient to trigger the area "on" and all claimants who had been last employed in that area would be entitled to additional benefits, regardless of whether they had worked for the affected employer. Claimants last employed in a contiguous labor market area, however, would not be entitled to additional benefits. Such a procedure would be arbitrary and unfair.

Another reason for opposing the area trigger is the fact that it would be an administrative nightmare. The bill proposes that the additional benefits would trigger "on" when the insured unemployment rate in the labor market area was 10% or more for four consecutive weeks. The "rate of insured unemployment" is defined in the bill as the percentage arrived at by dividing the number of claimants whose last employment was in the area, by the covered employment in the area for the same period. At the present time, the number of claimants by last place of employment is not available in the State of Michigan and in order to implement this bill, a new statistical reporting system would have to be set up to manually collect and compute area insured unemployment rates. Unlike many other states, Michigan does not have a fully-automated, on-line UI program nor, as a result, an easily accessible UI data base. To obtain the necessary information would be a costly process, the implementation of which would take considerable time. Many other states would be in the same position. Further, although the reporting mechanism is in place to estimate labor market area covered employment, such estimate would not be available for at least five months after the end of a quarter, eight months after the beginning of a quarter. There is thus a potential data lag of eight months or more.

13-WEEK EXTENSION—H.R. 6540

We strongly support enactment of H.R. 6540, Representative Brodhead's bill to provide an additional 13 weeks of benefits for those claimants who have exhausted all other entitlement. As I mentioned before, when a severe recession occurs, resulting in massive layoffs in the auto and related industries, it literally takes several years before employment in these industries returns to pre-recessionary levels, if ever. For example, employment in Michigan's Transportation Equipment industry averaged 415,400 for 1973. During the 1974–75 recession, employment in this industry dropped to a low of $309,300. It was not until 1979 that employment approached the 1973 level when the annual average totalled 408,200. In the meantime, as the economy improves, there are not enough jobs in the labor market to absorb both the new entrants to the labor force and the displaced workers. As a result, the average duration of unemployment lengthens for the laid-off workers .

Although the TRA program will provide much assistance to the long-term displaced auto workers during this recession, there is presently no TRA eligibility for displaced workers in supplier and other auto-related industries. Additional unemployment benefits will be necessary to tide these unemployed workers over until economic conditions improve.

We do not believe that the additional unemployment benefits provided in this bill will be a work disincentive. For the most part, the claimants who would be eligible are job-attached individuals with families, homes and mortgage payments. These workers represent the backbone of the labor force of the country. They need to work, they want to work, they are not accustomed to public assistance. In Michigan the 1979 average weekly wage of Michigan production workers was $359.72; the present maximum weekly regular unemployment benefit amount is $136. Given these conditions, the vast majority of claimants would prefer work to unemployment compensation. But if there are no jobs, it is incumbent upon the government to provide assistance to these long-term displaced workers.

In addition, although I do not have the figures to substantiate it, it is believed that a high proportion of exhaustees are compelled to seek welfare assistance, thus significantly increasing the welfare rolls. Some UI exhaustees will be eligible for welfare assistance, but others will not, primarily because they have assets which, while not great in value (such as a heavily mortgaged home), exceed the minimum assets requirement for welfare assistance. Obviously, moving workers with strong labor market attachment onto the welfare rolls is not a desirable result. In addition, the cost of welfare assistance exceeds unemployment compensation.

SUMMARY

In summary, we support the adoption of H.R. 7529, oppose passage of H.R. 6690, and strongly urge enactment of H.R. 6540.

I would like to thank this Subcommittee for the opportunity to present Michigan's position on these matters.

I'll be happy to answer any questions you might have.

Mr. CORMAN. Thank you, Governor. Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman.

Thank you for your contribution not only as the Governor but certainly for the association.

Mr. CORMAN. Mr. Brodhead.

Mr. BRODHEAD. Thank you.

I thank you, Mr. Brickley, for an eloquent statement of the problems of our State. It is good of you to come down here to Washington to try to spread an awareness that a lot of human suffering has resulted from the economic problems we are having.

I note that Mr. Babcock, the Director of the Michigan Labor Department, is with you. I would like to direct some questions to Mr. Babcock.

Mr. Babcock, there is a proposal in the Senate which would require 20 weeks of unemployment, as opposed to the current 14 weeks of unemployment, in order to qualify for extended UI benefits. Could you tell me how that would impact on the State of Michigan?

Mr. BABCOCK. Congressman, the numbers that we have are somewhat rough. The impact on the State would probably not be severe today as it would be if we did not have 12.5-percent unemployment The very preliminary figures I have seen indicate some 45,000 people per year may be affected negatively. Those 45,000 people of course are literally——

Mr. BRODHEAD. You mean there are 45,000 people that would receive the benefits if the qualifying period were 14 weeks?

Mr. BABCOCK. That is correct. Those 45,000 people by the nature of their attachment to the labor market probably do not have assets to the degree that a person with more seniority does. And I think those are the individuals who are more likely, as the Governor has indicated, to either go on to ADCU or to go onto general assistance.

In fact if they go onto ADCU, the net savings from that proposal are limited because of the public assistance benefits and medicaid and what have you.

Mr. **Brodhead.** Well, that is an interesting point. From the standpoint of the Federal budget overall, as you know, unemployment compensation benefits are counted as payouts from the Federal budget despite the fact that these funds are derived almost exclusively from taxes levied on employers; these are not really tax dollars that we are talking about.

The point you are making, as I understand it, is that if the Senate bill is enacted, people who would qualify for things like AFDC and food stamp programs—food stamps of course being 100 percent federally funded and AFDC being 50 percent federally funded—that these people would become wards of the taxpayers?

Mr. **Babcock.** That is correct. I think it is a fair assumption that the liquid assets of people with between 14 and 20 weeks' credit would be much lesser. And they probably would go into a general fund-supported public assistance program to a higher degree than the total unemployed.

There is a human side of the factor too, and that is that we would be talking about workers who would be forced to go on the public assistance system. And as you know I happen to be a strong supporter of public assistance within the State but I do think that public assistance is not necessarily the correct approach or the correct answer for displaced workers because of a very poor economic cycle.

We will get the more precise figures for you, however.

Mr. **Brodhead.** Let me ask you one other question. There is a proposal here in the House which would eliminate Federal unemployment insurance benefits for laid off CETA workers. Can you tell me what the impact of that would be in the State of Michigan?

Mr. **Babcock.** As I understand that proposal, the portions of CETA requiring equal labor protection would continue. So the net effect is that local units of government by and large and some community-based organizations employing title II(b) or title VI participants would have to assume that responsibility.

We have at this point about 25,000 manned slots in Michigan. And of course that number changes a little because of the Federal budgetary problems we are experiencing. CETA is a terminal program under public service employment, as you know, because of the 1978 amendments.

In effect, unless somebody is transitioned after 16 months, those individuals would be unemployed. If that occurs, and based on our economy the potential for transitioning is difficult at this time—the 18-month limitation is hitting us very hard—but if that occurs we are creating a major disincentive to local units of government who are already constrained with revenue shortfalls as well as constitutional limitations to employ CETA employees.

Mr. **Brodhead.** Employers would have to pay premiums, is that correct?

Mr. Babcock. As long as the provision of the CETA Act is maintained that requires equal protection, in effect the cost for unemployment would be shifted from the Federal Government to the employer.

Mr. Brodhead. And the employers in most cases would be local units of government?

Mr. Babcock. Local units of government or community-based organizations, Community Action agencies, for example, that operate on limited budgets. And I think the net effect would be there would be a major disincentive for local units of government and local service units to employ CETA workers.

Mr. Brodhead. Could the money be taken out of the CETA funds available to employers, or would it have to be taken out of their general budget?

Mr. Babcock. I have not seen the language in the reconciliation. There was one option at one point to take it out of the CETA budget. For example, you had 9,500 people affected, we would then be talking about a significant decrease of approximately 2,000—and we can calculate it in more detail—of participants.

In either way we are ending up with a decreased employment through CETA. And the people who are decreased say through unemployment or the reduction of slots because of the transfer of dollars, as you indicated, are going to go to public assistance.

These people have very little choice. And one of the reasons we have been strongly in support of public service employment in Michigan as you know is that we feel that employment not only is a valid alternative but should be extended to people versus public assistance.

Mr. Brodhead. Let me just ask one more question if I might of Mr. Brickley. The State of Michigan administration has recently put together its budget for the upcoming fiscal year. Can you tell us what were the assumptions with respect to the economy in the State and the rate of unemployment?

Mr. Brickley. The erosion in revenues is so rapid and continuing that frankly the budget that the Governor sent to the legislature in January is becoming less and less relevant to what the budget will be in October to the point where the Governor submitted a revision of his January budget, which is rather rare, and has now even said the revision is out of date, and now hesitates to do it again until we have a little better picture after we get through up until September.

There is the complication of, you know, the House running this year too and I think their inclination is not to take action until after the primaries. So it is just not possible to make accurate budget predictions now.

We will have used the rainy day fund of $275 million which will be exhausted because of declining revenue. We have in place cuts in the current year budget of at least $200 million. Our best estimate, again which is, you know, an estimate, is that we will probably be taking out of a $4.5 billion general fund budget we currently have, that we will be cutting that probably about $600 million in real dollars.

We will be cutting it up to $300 million or $400 million actually, and then with the inflationary pressures and so forth we assume will be there. So there are just going to be a lot of service cuts. The Governor has indicated a midyear cut in the budget in K–12, which is one-third of our budget, a midyear cut for higher education.

And we are laying off a considerable number of people, probably more than any other area, in the mental health area, which is a very tragic thing. Part of the program is going to our neighborhood programs but part of it is not. And we even had a problem here in Michigan not long ago where we had a problem of getting gasoline for the State police. It was a small case but that is the kind of pressures the budget is under.

That is the best answer I can give you.

Mr. Brodhead. Thank you very much.

Mr. Corman. Thank you very much. We appreciate your contribution.

Our next witness is Senator Bill Greene from the State of California. We are pleased to welcome the Senator. I would observe most good social programs start in California and finally become national policy. And for the past several years anything good that has come out of California has started in that State's legislature.

The gentleman who is about to testify has been one of that handful of men who has caused this to be true.

STATEMENT OF BILL GREENE, SENATOR, CALIFORNIA STATE LEGISLATURE

Mr. Greene. Mr. Chairman, I would request permission for Mr Best to join with me at this time rather than the manner in which he appears on our agenda. I think with my comments and with the data he can supply the committee we can dispel some of the myths that I have heard expressed here this morning.

We can get to the details of what we are doing in California and how we have dealt with all the problems that have been brought here. And he is from the joint development department.

Mr. Corman. Yes; we are pleased to have him before the subcommittee too.

Mr. Greene. Mr. Chairman, let me introduce myself for the record. I am Bill Breene, a member of the Senate of California Legislature. I represent Watts, South Central and Southeast Los Angeles. I chair the senate industrial relations committee and I chair the finance appropriations subcommittee which has to do with the budgets for all employment programs, all social service programs, all health and medical programs, mental health, corrections, food and agriculture and what have you: a budget of some $8 billion in State and Federal money.

And let me also say, Mr. Chairman, that I have felt very comfortable about coming here to support Congresswoman Schroeder's legislation when I found out I was coming before your subcommittee because at home we know very well when something is in your hands it is in the hands of somebody who can get something done. So I want to say it directly to you.

Let me say that I did not recognize California in our program as I heard the comments here. I guess due to the passage of proposition 13 it is generally felt that the reason we are looking at work sharing was due to proposition 13. That is incorrect.

We were already looking at work sharing. We stepped up our time frame for the passage of work sharing in California with the passage of proposition 13.

I have two economists on my staff. They had already been to Europe and talked with the appropriate departments of their national governments in Europe. We had already been here to Washington and talked with Chairwoman Norton about the efforts in New York, about the reasons the efforts in New York did not fail.

We had already made up our mind in California a part of several things that we are doing. In addition, Congressman Rangel, to copying your tax credit measure, we have a State tax credit measure in California which goes beyond yours and which offers a larger tax incentive and is for a greater period of time. We have begun to redirect our job training programs to direct employment without the bureaucracy in the middle and what have you.

So work sharing was just a piece of a multiplicity of things that we were doing in California.

We had not yet sold the administration on the idea of work sharing. We had sold the director of the Department of Employment Development in California, who has now since left State government and has gone into private practice, Mr. Marty Glick, but we had not yet sold the Governor the idea.

And we have not sold him. I do not mean this as a criticism but merely a statement of fact. We did not sell him on the idea and did not get the support of the Governor until after the passage of proposition 13. It was very fortunate we had taken this action because we were in place, ready to go, we knew the politics of it, we knew who we had to touch base with it, we knew how we had to put it together, and we had a darn good idea of how we had to put it together.

All of the problems that have been raised in questions, and they are legitimate, all the factors I have read in the national press as this is discussed, we have written this into the legislation in California. You know how to write legislation. You can shape legislation any way you want to to avoid any foreseeable problems, to take care of any exemptions, exceptions, or what have you.

In our legislation in California we moved it through with bipartisan support. We moved it through with the support of business, with the support of labor, with the support of the tax organizations. We moved it through with the support of everyone.

As Congressman Rousselot knows, my vice chairman of my industrial relations committee is his State senator, a former Member of this House, Senator John Smith. We moved it through with support from the most conservative to the most liberal because we pieced the bill together to take care of the concerns of all.

In the California legislation it requires that if there is a downturn, a downturn in one unit of a public agency or any firm or any corporation, that unit qualifies to enter into the work sharing program. The plan is submitted to the State agency, the employment development department.

And they approve the plan. If it is in an area of employment that is unionized, it must have the approval of a labor organization. If they are ununionized, it must have the approval of the employee.

For the employer, Congressman, that you state that might use it as an excuse to just change his work schedule and what have you, in those situations that employer would have what is known as a negative account. We penalize them for having a negative account. We increase their tax rate.

So it is a disincentive. We make it impossible. No employer is going to be able to pay and is not going to be willing to pay the price to abuse the program.

In California we have thought that it would be of greatest value to the local agencies, but due to the fact that we have such a surplus. And we were able to bail out our school districts and our local agencies to the tune that we were able to do so, however that has gone.

We now have our greatest utilization of compensated work sharing in California from the private sector.

The utilization of the program is coming from the private sector, not the public sector. The program is being held very conservatively on purpose and on direction from us. And we have yet to have our first complaint.

I think what is necessary is that in approaching legislation such as this I would hope that you would look at it as we look at it in California. It is not an unemployment program, but rather it is an employment program. The idea is to retain the worker on the job. The idea is to keep the worker at the job site. The idea is to keep the level of production up. The idea is to be able to ride out the ebbs and flows in the economy without a reduction in production, without a reduction in employment, with no strain on the fund.

Because you see the other side of the coin in not doing this is to dump the people off the job into the streets and on total and full unemployment compensation.

In some cases with your newer employees the persons who have obtained employment in many cases under the affirmative action programs and the other kinds of programs, in many cases the other side of the coin is welfare. So you shift the burden. So you shift the burden to the public side of the dollar.

And I think that is the time that we in this Nation began to look at how do we preclude those kinds of shifts? Because that is all they are: shifts. We shift the burden from one sector to another scetor.

In California we have made up our minds that we were going to see how we could cautiously but persistently attack that problem. And as a consequence, compensated work sharing was attractive to us. We were aware of the European and the Japanese experiences. We went to find out about it to get the details of it.

And after we learned the politics of its from Ms. Norton and her supporters and the people from New York, we knew how to go back to California and do it. And proposition 13 came along and picked up our time frame by 1 year.

Our initial plan was that we would be moving this through the legislature last year in 1979. With the enactment of the passage of proposition 13 that moved it up to 1978.

I think that gives you the broad brush, the broad scheme of how we are structured, of how it is working. Mr. Best can give you the full details.

We moved this, as I said, with the California Chamber, the California Manufacturers Association, the State Federation of AFL–CIO, SCIU, the State employees, the county employees, the administration, Cal-Tax, what have you. We sat with all of those people in putting the bill together.

And we were able to, as I said, move the legislation through with bipartisan support. And we are now working under the law, with great acclaim, great satisfaction from the private sector. And I would predict that after this year we will see public sector participation in it increased because we will just this year, at the latter part of this year, begin to really feel the effects of proposition 13. And this year the State government will not be able to bail out our local jurisdictions as we have been able to do in the past because we no longer have a surplus.

In fact, we are voting on our budget tomorrow. That will be some $23.8 billion when the conference committee completes it. If we do not hold the line where we are to maintain a prudent surplus to be able to pay for all of the legislation that we have enacted which takes the dollar—such as indexing of income tax, increased renters credit and what have you—if we do not hold the line this year, then we will be faced with the possibility of a tax increase next year, which has about as much chance of getting through the California Legislature I guess as I do of being made the Shah of Iran.

But I want to say one thing, however. I do not know if this is appropriate to any of you but I just feel it so strongly and I cannot help but say it. And I hope you will excuse my liberty in this regard.

But I found the comments of the gentleman representing the administration in terms of this matter incredible. I cannot believe it. And maybe that is why this Nation is in the problem it is in.

[The prepared statement follows:]

STATEMENT OF BILL GREENE, SENATOR, CALIFORNIA STATE LEGISLATURE

I come before you today in support of Representative Schroeder's efforts to enact the "Short-time Unemployment Compensation Act of 1980", contained in H.R. 7529. My support is not because we, in California, are in need of the grants or technical assistance provided for in the legislation to assist states in developing, enacting and implementing short-time compensation programs. I am the author of legislation establishing such a program which has been operating in California since 1978. In fact, I do have some reservations concerning the establishment of national standards for short-time compensation which may hinder the experimentation so helpful in the development of innovative programs. I nonetheless believe the time has come for Congress to think very seriously about encouraging the use of short-time compensation nationwide, which is the thrust of the proposal before you today.

That time came for us in California in 1978 when the passage of Proposition 13, limiting property tax assessments, threatened to force massive layoffs in the public sector. The enactment of our short-time compensation program was initially designed to buy public agencies and their employees some time to determine exactly what the consequences of Proposition 13 would be. As it turned out, few public agencies participated in this program because the state was able to replace much of the revenue lost to local governments. But interest in the program by firms in the private sector has grown steadily, and for very good reasons. It is beneficial to employees and employers alike during periods of temporary business downturns, periods such as many firms are experiencing today.

Fred Best, representing the Employment Development Department of the State of California which administers our program, is here to provide current data on the program and to answer your technical questions. What I would like to do briefly is to describe at a policy level what I perceive the short-time program to be, and perhaps equally important, to suggest what it is *not*. I emphasize the not, because I have followed with interest the national press coverage of our California program and I find a curious tendency among the press—and among both supporters and opponents of the program outside of California—to talk about it as if it were a substitute for existing programs, as if it were an alternative which will replace all other programs that deal with unemployment issues. That is a fallacious and regrettable way of dealing with short-time.

What we have here is an addition to the arsenal this country maintains for fighting unemployment. I'm sure this subcommittee is considering many bills which modify and hopefully improve our present Unemployment Compensation system. In no way is Representative Schroeder's bill in conflict with any major reform thrust for the unemployment compensation system. You would do yourself a disservice to mix up this bill with any others. Let it stand on its own.

Personally, I don't see how this Congress can afford not to test the idea on a national scale, given the unemployment prospects that face up these days. You owe it to people who can be spared from lay-off. You owe it to the people who are looking for jobs and who won't have to compete with workers who haven't had to hit the streets because they've stayed with their jobs as a result of short-time. And I think you owe it to employers who can respond more quickly to recovery of demand with a work force that's there to do the work when it's needed.

I've spent a good many years as a state legislator working on employment issues. I've spent many hundreds of hours listening to economists argue about what full employment is. I'll tell you one thing—economists may say that there is an unemployment rate below which inflation is accelerated—I guess it's allegedly around 7 percent these days—but I'll be damned if anyone ought to be allowed to call that kind of unemployment full employment.

Part of the trouble we have in dealing with new policies is the way we've thought about traditional policies. I support reform of the Unemployment Compensation system. But I insist we should throw our strongest efforts into employment programs, not unemployment programs. As a long-time, fully committed supporter of the New Deal, I must confess it saddens me, and even alarms me, to see how we've allowed ourselves to drift into institutionalizing programs to provide income to people with no jobs—and can tinker with these programs over and over and over again, calling it welfare reform or unemployment insurance reform—but keep falling on our faces with employment programs.

Short-time is an employment program—it utilizes the unemployment compensation system to keep people attached to their jobs through lean times. That is not appropriate to all jobs or all workers or all businesses at all times—but where it is appropriate this program can be an enormous help to people.

Let's talk for a moment about what the programs is not.

It is not a cure for unemployment. That takes a healthy economy. But it does reduce the number of layoffs necessary when the economy is not as healthy as it should be.

It is not a panacea for the last-hired/first-hired problem. Employers who understand the program use it to hold on to their most skilled and most experienced workers. Those usually aren't the last-hired. But it has got to help—there certainly is a greater prospect for preserving affirmative action gains when layoffs are minimized than when there's no choice but to lay workers off. Still, I think we should be very careful not to overstate the affirmative action aspects of short-time. Just let me say again—it can't hurt, it might help.

Keeping workers attached to their jobs through hard times is the key. When you lose connection with your job, you're likely to begin losing your skills. Even if you're hired back, your employer may have to invest some time and money in retraining. If you move on to a new job, your former employer will eventually have to hire a replacement—and that means extra recruitment and training expenses for him, outlays that might be especially difficult coming as they do at the end of a business downturn. It also means less quality in production and lower productivity, two problems that have contributed in recent years to this country's slippage in international economic competition.

This brings me to a final point. While I agree that the preservation of fringe benefits is proper, I'm afraid that the mandatory maintenance of full health and pension benefits in the Schroeder bill as introduced can inhibit testing of the program. The majority of employers will preserve those benefits without mandate, because they're only going to use the program on a limited basis for a limited period of time, and the administrative problems of pro-rating or eliminating such benefits would be costlier than leaving them alone. More important, however, is the fact that no employer in his right mind is going to go out of his way to antagonize employees that he's going out of his way to keep working

for him. Chances are research will show everybody that it isn't worth worrying about. In any case, it should not be included as a national standard for short-time programs at this time.

To sum up: Short-time has been a long time coming to this country. It works well in Europe. It works well in California. It is an addition to our present policies, not a substitution or replacement. Where it is appropriate, it is also a benefit to both workers and employers. It is largely self-regulating as long as you establish it clearly as a program to be used for temporary periods of time. Given the positive experience so far with the program in California, I would submit that its opponents ought to assume the burden of proof with regard to their negative concerns. At a minimum, test it and find out for yourselves.

Mr. CORMAN. Mr. Best.

Mr. BEST. I would like to present an abbreviated version of my written testimony, the purpose of which will be to provide some details and some observations about our program in California which hopefully will assist your committee's consideration of the short-term Unemployment Act of 1980.

Mr. CORMAN. Your full statement will appear in the record.

STATEMENT OF FRED BEST, CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT

Mr. BEST. Since Senator Greene has outlined basically how our program works, I will confine my remarks to providing an overview of recent patterns of participation in our program, review initial findings from some field interviews with firms that have used the program, and make some recommendations concerning the legislation under consideration.

Attached to the testimony for your interest you will find three appendixes which are the California law, an analysis of the short-term compensation concept as it has been applied in California and Germany, and in our work sharing handbook which provides details on how our program operates.

Participation in the California work sharing UI program was low and grew slowly during its first year. However, participation has grown at accelerating rates during the second year. During the first 6 months only 67 firms had become certified to use the program. By the end of the first year, July 1979, participation has risen to 188 and by May 31, 1980, some 840 firms employing 37,475 workers had become certified. While these 840 firms are only a small portion of the approximate half million firms in California. Use of work sharing UI has been increasing rapidly. Further there is reason to believe that participation will continue to rise as the program gains greater exposure.

The patterns of worker and firm participation in the program have been analyzed in preliminary fashion within a report which has been attached as appendix II. Nonetheless, a few key points should be made about the use of the program.

First, the industrial sectors of participating firms and workers has been varied and are so far somewhat distinct from that of those using regular layoffs with unemployment insurance. Early data analysis shows that a larger portion of firms using work sharing UI are in manufacturing than is the case of firms using layoffs. Interestingly this pattern of industrial participation parallels that of Germany's long standing short-time compensation program which has been reported to have reduced full-time unemployment by one-sixth during the 1975 recession.

Second, and contrary to common assertions, participation in the work sharing UI program does not appear to be reduced by unionization. As of May 1980, some 11 percent of all certified firms were unionized. More important, breakdowns of participating employees show that 25.5 percent of the workers who actually used the program were unionized. When one considers that about 21 percent of the national labor force is unionized it does not seem that unionization is a deterrent to use of the program. Indeed responses to a recent nationally representative survey of the American labor force not only found that 81 percent favored or were neutral toward the use of short-time compensation in their own work places but that unionized workers were more positive about the program than nonunion workers.

Third, available data suggest that short-time compensation programs will cost only slightly more than layoffs with regular UI in terms of the aggregate dollar value of benefits paid. State computations indicate that each participating employee received $22.69 a week in benefits and that the equivalent expenditure for benefits for full-time unemployment for the same population of workers would have been $89.88 a week for those who would have been laid off. While one must question whether the types of workers using work sharing UI have been notably different from those experiencing layoffs with regular UI, it appears that the average benefit amounts for work sharing UI have been only marginally greater than the current average weekly California UI benefit payment of $85.34. This issue, as others noted earlier, requires further examination before final conclusions can be made.

As you may realize, the California Employment Development Department has undertaken a special 2-year evaluation of our program. This 2-year evaluation will not be completed at the beginning of 1981. It will be completed toward the end of 1981. The evaluation will involve indepth interviews with representatives of 300 businesses participating in the program and 300 businesses utilizing regular layoff procedures, surveys of 1,500 workers, and an analysis of official data obtained from State sources.

We have only just completed the planning and development stages of this project. At this time we are only a week into the data collection phase of the evaluation and can present only preliminary data from 10 indepth firm interviews. While such a small number cannot be technically construed as representative of the larger population of program participants, nonetheless a preliminary survey of some of the findings of these interviews may be helpful.

For these 10 businesses length of participation ranged from 6 to 19 weeks. The businesses' total number of employees were 10 to 40, and included 4 manufacturing firms, 1 retail business, 3 service industries, and 1 financial institution.

Of these 10 businesses, 5 indicated that the retention of valuable employees was the major reason for program participation, 3 cited the financial benefits which their employees derived and 2 cited lower production costs resulting from evenly distributed worktime reductions among all employees compared to the full-time layoffs of a select few employees.

As to future use, only one firm indicated an unwillingness to use the program again, citing a reluctance to expend time for the extra bookkeeping time involved in the program. In contrast, other firms expressed an appreciation for the minimum amount of paperwork and no others expressed any dissatisfaction with this aspect. Seven businesses stated that they would definitely use the program again should a need arise, and two indicated that they probably would use it again.

As to employer satisfaction level, when asked to rate their level of satisfaction regarding their experience with the work sharing UI program, six businesses reported extreme satisfaction, three indicated moderate satisfaction and one noted extreme dissatisfaction.

As to employee satisfaction level, according to the employers, workers commonly favored the program. Of the 10 businesses, 5 indicated that they believed their employees strongly favored the program, 3 indicated that they moderately favored it and 2 reported neutral or mixed responses.

All of the businesses reported that they had maintained all employee fringe benefits that were provided prior to workweek reductions. These benefits included health insurance, pension, vacation and sick leave. No benefit, even vacation time, was prorated. Employee benefit packages were generally seen as too complicated to merit the bookkeeping adjustments necessary for cancellation or reduction.

I must reemphasize that these findings must be regarded as highly tentative and preliminary, and have been presented because they are the only data now available in existence concerning the actual experiences of the firms using the program.

On behalf of the California Employment Development Department, I should like to convey three recommendations concerning the Short-Time Unemployment Compensation Act of 1980—H.R. 7529.

First and foremost, we support the general concept of short-time compensation and recommend research and program experimentation in this area. Although our 2-year evaluation is not yet complete and we must therefore defer final judgment, all those who have been involved with monitoring and administering the California work sharing UI program have found that it can be managed efficiently with minimum disruption to the regular UI system. There has been widespread support and virtually no opposition for the program. On the basis of this experience we believe that the idea merits serious review and experimental implementation by the Federal Government and other States.

As to required maintenance of health and pension benefits, the California program does not require maintenance of health and pension benefits due to a desire to simplify the program and avoid undue regulation. In the 2 years that the program has been in existence, there have been no complaints about the curtailment of benefits. Further available data suggest that full benefits are maintained. Our agency is concerned about the maintenance of employee benefits and acknowledges that a full assessment of this issue is necessary. Nonetheless, we suggest that formal restrictions in this area should not be imposed on States until there is evidence of a need. Therefore we recommend that item c3 of section 3 be deleted, or amended to provide a waiver of this requirement for the California program so that our evaluation can better access whether employee benefits are lost with the use of work sharing UI.

As to development of State programs, we support item 2 of section 3, which authorizes the Secretary of Labor to make grants and provide assistance to States wishing to initiate short-time compensation programs. We do, however, suggest that such assistance would be most effective if standardization procedures were developed which enabled State officials to perceive a direct cause-effect relationship between instigating short-time compensation programs and obtaining assistance. As such, we recommend a formula for the distribution of such assistance. Specifically, we would urge that a set sum, say $50,000, be given to all States for the administrative development and evaluation of legislated short-time compensation programs, and that further funds be provided in predefined amounts according to State population or the number of unemployed persons within the State.

This concludes my testimony and the recommendations of my agency. And I would be more than glad to try to answer any questions.

[The prepared statement and attachments follow:]

SHORT-TIME COMPENSATION IN CALIFORNIA

Statement by Fred Best
California Employment Development Department
Sacramento, California
before the
Subcommittee on Public Assistance and Unemployment Compensation
Committee on Ways and Means
U.S. House of Representatives

June 26, 1980

The primary goal of this testimony will be to provide information and observations about the California Work Sharing Unemployment Insurance Program which may assist the committee's consideration of the "Short-Time Unemployment Compensation Act of 1980" (HR 7529). The testimony will briefly describe how the California program works, provide an overview of recent data concerning firm and worker participation in the program, preview initial findings from field interviews with firms that have used the program, and make recommendations concerning the legislation under consideration. Attached to this written testimony, you will find three appendices including the California law, an analysis of the short-time compensation concept, and the "Work Sharing Handbook" which provides details on the operation of our program.

How the Program Works

The short-time compensation concept is a reasonably simple adjustment to regular unemployment insurance systems. Briefly stated, the program pays a proportion of a worker's full weekly UI benefits for workweek reductions undertaken to share work as an alternative to layoffs. For example, if an employer with 100 workers had to layoff one-fifth of his/her employees (or 20 workers), it may be possible to reduce the workweek for all 100 employees from five to four days. Under these conditions, all employees would retain four days worth of regular weekly pay, keep all or most of their regular fringe benefits, receive one-fifth of their total weekly UI benefits, typically maintain over 90 percent of standard take-home pay;[1] and no one would be totally laid off.

The California "Work Sharing UI" Program was established during July 1978 and later extended to December 31, 1981 (See Appendix I), when it will be reviewed with the help of a two-year evaluation now being undertaken by a special autonomous group within the California Employment Development Department. Some of the key elements of the program are as follows:

Firm Eligibility. Firms may become certified to use the Work Sharing UI Program if more than ten percent of a definable work group experiences a workweek reduction of 10 percent or more, and the employer states that such worktime cutbacks are economically unavoidable. If participating workers are unionized, firm certification for use of the program must be approved by the appropriate collective bargaining agent.

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[1] Fred Best and James Mattesich, "Short-Time Compensation and Work Sharing: A New Alternative to Layoffs", Special Report, California Employment Development Department, Sacramento, California, January 1980, pages 32-36

Worker Eligibility. To receive Work Sharing UI benefits, employees must be eligible for regular UI, experience workweek and pay reductions of 10 percent or more for a waiting period of at least one week, and be employed by an organization which is certified to use Work Sharing UI.

Duration and Timing of Participants. Participating workers are eligible to receive Work Sharing UI benefits for a period of 20 weeks during a given benefit year. The extent of weekly worktime reductions and benefit levels can be adjusted during this period, but employees are not eligible to receive more than twenty weeks of benefits during their respective benefit years.

Benefits. Benefits paid to participating employees are determined as a proportion of the dollar value of the UI benefits that would have been available to a worker during a full week of joblessness. In California, full weekly UI benefits now range from $31 to $120 depending on the base earnings of each worker. Thus, if a participating employee experiences a reduction of one workday out of a five day workweek, he or she would be eligible for one-fifth of the UI benefits that would have been paid for one week of unemployment. If employees are laid off after the twenty week maximum duration is reached, they are eligible to receive regular UI for a period shortened to reflect the dollar value of Work Sharing UI benefits already received.

Firm UI Taxation. The California Unemployment Insurance Program is an "experience rated" system financed by taxes collected from employers in accord with the balance between tax contributions and UI benefits drawn by existing or former employees. Thus, California firm UI taxes vary between .4 and 3.9 percent of the first $6,000 of earnings for all employees. For the most part, employers are taxed for use of the Work Sharing UI Program in the same fashion. However, "negative balance" employers, whose UI tax contributions have fallen below the UI benefit drawings of their employees must pay an additional .5 to 3.0 percent "surtax" when using Work Sharing UI.[2]

Further details on the California program are provided in Appendices II and III, which are attached to this testimony.

Recent Trends of Participation

Participation in the California Work Sharing UI Program was low and grew slowly during its first year. However, participation has grown at accelerating rates during the second year. During the first six months, only 67 firms had become certified to use the program. By the end of the first year (July 1979), participation had risen to 188, and by May 31, 1980 some 840 firms employing 37,475 workers had become certified. While these 840 firms are only a small portion of the approximate half-million firms in California, use of Work Sharing UI has been increasing rapidly. Further, there is reason to believe that participation will continue to rise as the program gains greater exposure.

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[2] 1980 Employer's Guide, California Employment Development Department, Sacramento, California, January 1, 1980, pages 19-20.

The patterns of worker and firm participation in the program have been analyzed in preliminary fashion within a report which has been attached as Appendix II. Nonetheless, a few key points should be made about the use of the program.

First, the industrial sectors of participating firms and workers has been varied, and, so far, somewhat distinct from that of those using regular layoffs with unemployment insurance. Early data analysis shows that a larger portion of firms using Work Sharing UI are in manufacturing than is the case of firms using layoffs.[3] More important, this same data shows that 76 percent of the workers using Work Sharing UI are employed in the manufacturing sector. Interestingly, this pattern of industrial participation parallels that of Germany's long standing short-time compensation program, which has been reported to have reduced full-time unemployment by one-sixth during the 1975 recession.[4]

Second, and contrary to common assertions, participation in the Work Sharing UI Program does not appear to be reduced by unionization. As of May 1980, some 11 percent of all certified firms were unionized. More important, breakdowns of participating employees show that 25.5 percent of the workers who actually used the program were unionized.[5] When one considers that about 21 percent of the national labor force is unionized, it does not seem that unionization is a deterrent to use of the program. Indeed, responses to a recent nationally representative survey of the American labor force not only found that 81 percent favored or were neutral toward the use of short-time compensation in their own work places, but that unionized workers were more positive about the program than non-union workers.[6]

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[3] Fred Best and James Mattesich, Op.Cit., pages 27-28.

[4] Gunther Schmid, "Selected Employment Policy in West Germany: Some Evidence of Its Development and Impact", Discussion Paper Series, International Institute of Management, Berlin, July 1978, page 14.

Third, available data suggest that short-time compensation programs are not significantly more costly than regular UI in terms of the aggregate dollar value of benefits paid. State computations indicate that the average participating employee received $22.69 a week in benefits and that the equivalent expenditure for benefits for full-time layoffs among the same population of workers would have been $89.88 a week. While one must question whether the types of workers using Work Sharing UI have been notably different from those experiencing layoffs with regular UI, it appears that the average benefit amounts for Work Sharing UI have been only marginally greater than the current average weekly California UI benefit payment of $85.34. This issue, as others noted earlier, requires further examination before final conclusions can be made.

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[5] Fred Best, and James Mattesich, Op.Cit., page 28.

[6] Fred Best, Exchanging Earnings for Leisure: Findings of an Exploratory National Survey on Worktime Preferences, Special Research Monograph No. 79, Office of Research and Development, Employment and Training Administration, U. S. Department of Labor, Washington, D.C., 1980, Chapter 4.

Preliminary Indications of Program Satisfaction[7]

As many of you may know, the California Employment Development Department has undertaken a special two year evaluation of the Work Sharing Unemployment Insurance Program. This evaluation will involve in-depth interviews with representatives of 300 businesses participating in the program and 300 businessess utilizing regular layoff procedures, surveys of 1,500 workers, and an analysis of official data obtained from state sources. We have only just completed the planning and development stages of this project. Thus, anything I can say at this time concerning program impacts on participants must be viewed as highly tentative.

Before the evaluation project was established, an informal "satisfaction poll" of participating firm and union representatives indicated that the Work Sharing UI program was generally well received. Representatives from 30 businesses who actually used the program were interviewed by telephone in early December 1979. Of these firms, 25 strongly favored the program and 5 were neutral. Those favoring the program cited increased employee retention rates, worker approval, and flexibility in its administration as reasons. In addition, representatives from 17 of the 33 unions representating participating workers prior to December 1979 were also contacted. Of these seventeen, 14 favored the program and 3 were neutral. Major reasons given for approval were that the Work Sharing UI program was fairer than layoffs and that participating workers were generally better off in financial terms because they then lost only some of their earnings and retained most fringe benefits. Four union representatives reporting initial resistance from union members noted that opposition had dropped off once workers became familiar with the program.

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[7] 7. Gratitude is expressed to Norman Skonovd, who compiled and summarized the data reported in this section.

At this time we are only a week into the data collection phase of the evaluation and can present only preliminary data from ten in-depth firm interviews. While such a small number cannot be technically construed as representative of the larger population of program participants, this group is part of a random sample of businesses that have used the Work Sharing UI program. For these ten businesses, length of participation ranged from 6 to 19 weeks. The businesses total number of employees ranged from 10 to 40 and included four manufacturing firms, one retail business, three service industries, and one financial institution. A few selected findings are presented below:

Reasons for Participation. Of these ten businesses, five indicated that the retention of valuable employees was the major reason for program participation, three cited the financial benefits which their employees derived, and two cited lower production costs resulting from evenly distributed work-time reductions among all employees compared to the full-time layoffs of a select few employees.

Future Use. Only one firm indicated an unwillingness to use the program again, citing a reluctance to expend time for the extra bookkeeping time involved in the program. In contrast other firms expressed an appreciation for the minimum amount of paperwork and no others expressed any dissatisfaction with this aspect. Seven businesses stated that they would definitely use the program again should a need arise, and two indicated that they probably would use it again.

Employer Satisfaction Level. When asked to rate their level of satisfaction regarding their experience with the Work Sharing UI program, six businesses reported extreme satisfaction, three indicated moderate satisfaction, and one noted extreme dissatisfaction -- the paperwork problem again.

Employee Satisfaction Level. According to the employers, workers commonly favored the program. Of the ten businesses, five indicated that they believed their employees strongly favored the program, three indicated that they moderately favored it, and two reported neutral or mixed responses.

Productivity. When questioned about whether productivity (output per hour) within work groups using the UI program was higher or lower than it would have been with regular layoffs, three reported that productivity was much higher, two felt it was moderately higher, and three indicated that it was the same. Two firms indicated that measures of productivity were not applicable to the workers involved.

Total Amount of Lost Worktime. When asked if they thought that the total amount of worktime lost to all the employees in the participating work groups was larger or smaller with Work Sharing UI than it would have been with layoffs, three businesses indicated that they thought the amount of lost work-time was much smaller with work sharing than it would have been with layoffs, two felt the amount of lost time was moderately smaller, two felt it was the same, and one felt it was greater. Two employers which had previously used workweek reductions without the Work Sharing Unemployment Insurance Program indicated that they could not use straight layoffs and therefore could not answer the question.

Worker Benefits. All of the businesses reported that they had maintained all employee fringe benefits that were provided prior to workweek reductions. These benefits included health insurance, pension, vacation, and sick leave. No benefit -- even vacation time -- was pro-rated. Employee benefit packages were generally seen as too complicated to merit the bookkeeping adjustments necessary for cancellation or reduction.

I must re-emphasize that these findings must be regarded as highly tentative and preliminary. The final evaluation will involve demographic, social, and economic analysis of representative samples of workers and firms. The above results have been presented because they are the only data now in existence concerning the actual experience of firms using the program.

Recommendations

On behalf of the California Employment Development Department, I should like to convey three recommendations concerning the "Short-Time Unemployment Compensation Act of 1980" (HR 7529).

General Support for Concept. First and foremost, we support the general concept of short-time compensation and recommend research and program experimentation in this area. Although our two year evaluation is not yet complete, and we must therefore defer final judgment, all those who have been involved with monitoring and administering the California Work Sharing UI Program have found that it can be managed efficiently with minimum disruption to the regular UI system. There has been widespread support and virtually no opposition for the program. On the basis of this experience, we believe that the idea merits serious review and experimental implementation by the Federal Government and other states.

Required Maintenance of Health and Pension Benefits. The California program does not require maintenance of health and pension benefits due to a desire to simplify the program and avoid undue regulation. In the two years that the program has been in existence, there have been no complaints about the curtailment of benefits. Further, available data suggest that full benefits are maintained. Our agency is concerned about insuring the maintenance of employee benefits and acknowledges that a full assessment of this issue is necessary. Nonetheless, we suggest that formal restrictions in this area should not be imposed on states until there is evidence of a need. Therefore we recommend that item c3 of Section 3 be deleted or amended to provide a waiver of this requirement for the California

Program so that our evaluation can better assess whether employee benefits are lost with the use of Work Sharing UI.

Development of State Programs. We support item 2 or Section 3, which authorizes the Secretary of Labor to make grants and provide assistance to states wishing to initiate short-time compensation programs. We do, however, suggest that such assistance would be most effective if standardized procedures were developed which enabled state officials to perceive a direct cause-effect relationship between instigating short-time compensation programs and obtaining assistance. As such, we recommend a formula for the distribution of such assistance. Specifically, we would urge that a set sum, say $50,000 be given to all states for the administrative development and evaluation if legislated short-time compensation programs are put in place, and that further funds be provided in predefined amounts according to state population or the number of unemployed persons within the state.

This concludes our recommendations and this testimony. I will be most glad to answer questions about our program.

APPENDIX I

CALIFORNIA SENATE BILL NO. 210

CHAPTER 506

An act to amend and repeal Sections 978.5 and 1279.5 of the Unemployment Insurance Code, relating to unemployment insurance.

[Approved by Governor September 7, 1979. Filed with Secretary of State September 7, 1979.]

LEGISLATIVE COUNSEL'S DIGEST

SB 210, Greene. Unemployment insurance.

Existing law permits employees, whose employers voluntarily choose to participate in a shared work unemployment compensation benefit program, to receive, for up to 20 weeks during any benefit year or in combination with such benefits during any subsequent benefit year, a benefit amount equal to the percentage reduction in the individual's wages resulting from reduced hours or days of work. Existing law provides that such provisions shall remain in effect only until December 31, 1979.

This bill would provide, instead, that such employees may receive such benefits for up to 20 weeks during a period of 52 consecutive weeks, beginning with the first week of benefits, would extend the effective date of such provisions until December 31, 1981, and would require the Legislative Analyst to issue an interim report to the Legislature on the use and operation of the shared work unemployment compensation program no later than January 1, 1981.

Existing law requires any employer, who elects to participate in a shared work unemployment compensation benefit program who has a negative reserve account balance on any June 30th, and whose reserve account has been charged for benefits paid under the shared work program in the prior year, to pay into the Unemployment Fund additional contributions according to a specified rate schedule. Existing law provides that such provisions shall remain in effect only until December 31, 1982.

This bill would provide, instead, that such provisions remain in effect until December 31, 1984.

The people of the State of California do enact as follows:

SECTION 1. Section 978.5 of the Unemployment Insurance Code is amended to read:

978.5. (a) Any employer who has elected under Section 1279.5 to participate in the shared work unemployment insurance benefit program, who has a negative reserve account balance on any June 30th, and whose reserve account has been charged for benefits paid under Section 1279.5 during the 12-month period ending upon such June 30th shall pay into the Unemployment Fund, in addition to all other contributions required by this division, contributions for the calendar year next succeeding such June 30th at the rate prescribed by this section based upon the ratio of the employer's net balance of reserve to the employer's average base payroll. If as of any June 30th an employer's net balance of reserve equals or exceeds that percentage of his or her average base payroll which appears on any line in column 1 of the following table but is less than that percentage which appears on the same line in column 2 of that table, his or her rate shall be the figure appearing on that same line in column 3:

	Reserve balance		*Contribution rate*
Line	*Col. 1*	*Col. 2*	*Col. 3*
1	– 100.0%	No limitation	3.0%
2	– 80.0%	– 100.0%	2.5%
3	– 60.0%	– 80.0%	2.0%
4	– 40.0%	– 60.0%	1.5%
5	– 20.0%	– 40.0%	1.0%
6 More than	0.0%	– 20.0%	0.5%

(b) Contributions paid pursuant to this section shall be excluded from "contributions paid on his own behalf" as defined by Section 906, but shall be included as employer contributions under Sections 1110 and 1110.1 and for all other purposes under this division.

(c) This section shall remain in effect only until December 31, 1984, and as of that date is repealed.

SEC. 2. Section 1279.5 of the Unemployment Insurance Code is amended to read:

1279.5. (a) Notwithstanding Section 1252 or 1252.2 or any other provision of this part, for the purposes of this section an individual is "unemployed" in any week if the individual works less than his or her normal hours or number of days in a week for the individual's regular employer, and the director finds that the regular employer has reduced or restricted the individual's hours or days of work, or has rehired an individual previously laid off and reduced that individual's hours or days of work from those previously worked, as the result of a plan by the regular employer to reduce employment and stabilize the work force by a program of sharing the work remaining after a reduction in total hours of work and a corresponding reduction in wages, among not less than 10 percent of the employer's regular permanent work force involved in the affected work unit or units.

(b) Except as otherwise provided in this section, each individual eligible under this chapter who is "unemployed" in any week shall be paid with respect to that week a weekly shared work unemployment compensation benefit amount equal to the percentage of reduction of the individual's wages resulting from reduced hours or days of work, rounded to the nearest 10 percent, multiplied by the individual's weekly benefit amount, except that this provision shall apply only if the percentage of reduction is 10 percent or more.

(c) No individual shall be paid any benefits under this section in excess of 20 weeks of benefits during a period of 52 consecutive weeks, beginning with the first week of benefits paid under this section. No individual who receives any benefits under this section during any benefit year shall receive any benefits pursuant to Section 1252 or 1252.2 as a partially unemployed individual with respect to any week during such benefit year while in employment status with the regular employer who initiated the program of sharing work under this section. No benefits under this section shall be payable during any individual's extended duration period or extended benefit period.

(d) Any amount payable under this section shall be reduced by the amount of any and all compensation payable for personal services whether performed as an employee or an independent contractor or as a juror or as a witness, except compensation payable by the regular employer not in excess of compensation payable for reduced hours of work assigned an individual by the regular employer under a shared work plan.

(e) The benefit payment under this section, if not a multiple of one dollar ($1), shall be increased to the next higher multiple of one dollar ($1).

(f) Section 1279 shall not apply to any individual eligible for any payment under this section.

(g) Except as otherwise provided by or inconsistent with this section, all provisions of this division and authorized regulations apply to benefits under this section. Authorized regulations may, to the extent permitted by federal law, make such distinctions and requirements as may be necessary in the procedures and provisions applicable to unemployed individuals to carry out the purposes of this section.

(h) Employees shall not be eligible to receive any benefits under this section unless their employer agrees, in writing, and their bargaining agent pursuant to any applicable collective bargaining agreement agrees, in writing, to voluntarily participate in the shared work unemployment insurance benefit program created by this section.

(i) This section shall remain in effect only until December 31, 1981, and as of that date is repealed. The Legislative Analyst shall issue an interim report to the Legislature on or before January 1, 1980, on the use and operation of this program, including the number and types of employers utilizing this program, the tax rates, if any, of such employers, and the number of employees affected. The

Legislative Analyst shall issue a final report to the Legislature on or before January 1, 1981, on the use and the operation of this program which shall include his or her recommendation concerning the extension of this section beyond December 31, 1981.

APPENDIX II

SHORT-TIME COMPENSATION AND WORK SHARING: A New Alternative to Layoffs

By

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During times of high unemployment it is often suggested that work time should be reduced in order to spread available jobs among a larger number of persons. Despite the advancement of numerous proposals in this area, only a few hold promise as effective employment policies.[1] One of the leading proposals for sharing work is "short-time compensation". This plan provides partial unemployment insurance benefits for work time lost by employees who have taken a reduction in work hours in order to prevent layoffs or dismissals within a specific firm.

As a rough illustration, if a firm were to reduce the workweek and pay levels by 20 percent rather than lay off 20 percent of its employees, those employees working short-time would receive 20 percent of weekly unemployment insurance benefits. Thus, employees on reduced workweeks would be partially reimbursed for lost earnings and no workers would lose their job. It has been suggested that such a program would foster more equitable distribution of the burdens of certain types of unemployment in ways which would be palatable to both employers and employees.

This article will explore this approach to combating joblessness by reviewing the background of the "short-time compensation (STC) concept within the United States, examining this concept with data from a recently initiated STC program in California and comparable European programs, and discussing prospects for the idea within the United States.

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[1] For a compendium of viewpoints on work sharing and its alternative forms, see Work Time and Employment, Special Report No. 28, National Commission for Employment Policy, Washington, D.C., October 1978. For a description and assessment of seventeen varied work sharing proposals, see Fred Best, Work Sharing: Policy Options and Assessments, forthcoming Monograph, Upjohn Institute for Employment Research, Kalamazoo, Michigan, 1980.

Background of the Concept

Although short-time compensation programs have been widespread and reportedly successful within many European nations since the 1920's, the unemployment insurance system was not used for such purposes within the United States until 1978. Many U.S. unemployment insurance programs have provisions for paying partial benefits for less than a full week of unemployment,[2] but only in amounts roughly equal to the differences between full weekly benefits and the income earned during the week in question. A quick example will demonstrate why such partial benefits are not suitable as a work sharing policy. If an employee earns $250 for a full 40 hour workweek and is eligible to receive $100 in benefits for a week of unemployment, he or she could not receive benefits for working a reduced 32 hour workweek because earnings for more than two days employment would total more than $100.

With short-time compensation provisions, UI benefits would be paid as a proportion of the maximum benefits available to an individual for a given week if the lost time equals or surpasses an established minimum work time reduction. Thus, a worker eligible to receive a maximum of $100 in weekly benefits could receive about one-fifth that amount or $20 for every full day of lost work.

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[2] Daniel Hamermesh, "Unemployment Insurance, Short-Time Compensation and the Workweek", Work Time and Employment, Op.Cit., pages 235-238.

Consideration of using short-time compensation within the United States emerged as a response to the aggrevated unemployment problems in New York City during 1975. The "Moses Plan", as it came to be called, was generally supported by a highly publicized conference of business, organized labor and academicans.[3] The proposal received considerable press attention in the New York area and the persistent support of many groups because it appeared to have the potential to both reduce joblessness and minimize back slippage of affirmative action gains by preventing the layoff or dismissal of minorities.[4] In March 1976, a bill was introduced to the New York State Assembly to allow UI benefits to be paid on a daily rather than weekly basis.[5] However, the bill died in committee. About the same time, Canada catalyzed further discussion of the proposal by implementing a limited pilot study of the STC concept.[6]

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[3] Edith F. Lynton, "Alternatives to Layoffs", Conference Report for the New York City Commission on Human Rights, New York, April 1975.

[4] Elinor Holmes Norton, Chair of the National Commission for Equal Employment Opportunity, has urged consideration of the concept ("Testimony of Emile Heller", *Leisure Sharing*, Hearings of the Senate Select Committee on Investment Priorities and Objectives, California State Senate, Sacramento, California, November 1, 1977, pages 153-163 and submitted statement); and Alfred Blumrosen and Ruth Blumrosen, "The Duty to Plan for Fair Employment Revisited: Work Sharing in Hard Times", *Rutgers Law Review*, Summer 1975, pages 1082-1106.

[5] This bill was last submitted to the New York State Legislature on March 30, 1976 under the Number 11819 by Assembly Member Seymour Posner.

Federal interest in short-time compensation has progressed cautiously. During 1978 and 1979, the U.S. Department of Labor established a special task force to monitor existing programs, make preliminary assessments of the concept, and explore the possibility of funding a pilot study.[7] Most recently, members of congress have announced an intention to introduce legislation to support the development of the program.[8]

Independent of Federal initiatives, California established an experimental statewide STC program in mid-1978. Hearings held by the State Senate to explore the general topic of work sharing drew attention to the short-time compensation concept in November 1977.[9] In response to expected unemployment resulting from Proposition 13, State Senator William Greene introduced and gained passage of an STC program in July 1978.[10] The program was rapidly implemented, and although the widespread layoffs expected from Proposition 13 did not occur, the program has been continued. Although other states have the dis-

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6. "Work Sharing in Canada", Department of Employment and Immigration, Ottawa, Canada, April 1978; and Peter Sadlier-Brown, *Work Sharing in Canada: Problems and Possibilities*, C.D. Howe Research Institute, Montreal, Canada, HRI Observations Report No. 18, June 1978.

7. The reports prepared as a result of this committee's activities are summarized in *Short-Time Compensation: An Approach to Work Sharing*, Office of Research, Legislation and Program Policies, Unemployment Insurance Service, Employment and Training Administration, U.S. Department of Labor, Washington, D.C., forthcoming 1980.

8. Legislation has been drafted for submission by Patricia Schroeder, U.S. House of Representatives.

9. "Statement of Gene Livingston, Chief Deputy Director of the California Employment Development Department," *Leisure Sharing*, Hearings of the California State Senate Select Committee on Investment Priorities and Objectives, Sacramento, California, November 1, 1977, pages 66-81.

cretion to establish similar programs, as of February 1980, the California program remains the only one of its type in the United States.

Shared Work Unemployment Compensation in California

California's "Shared Work Unemployment Compensation" (SWUC) Program began as an experiment and was renewed July 1979.[10] The basic design of this program is similar to programs which have existed in Europe for several decades. SWUC is operated by the California Employment Development Department which administers, among other programs, Unemployment Insurance, Disability Insurance and the California State Employment Service.

The legislation creating SWUC provides that an employer facing an economic downturn may choose, instead of layoffs, to reduce the hours and corresponding wages of all or a designated part of his work force and share the work remaining among those employees. The reduction must involve not less than 10 percent of the employer's regular permanent work force involved in the affected work unit or units. Additionally, the hours and wages of the affected employees must be reduced by 10 percent or more in order to avoid minimally effective but administratively expensive use of the program. Each employee included in such a program of reduced hours and wages is eligible to receive a weekly unemployment insurance benefit proportional to the percentage of his or her wage and hour reduction.

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[10] Senate Bill No. 210, Introduced by William Greene, California State Senate, Sacramento, California, May 7, 1979.

The SWUC program was designed to operate within the existing California unemployment insurance system. Each employee participating in SWUC must therefore meet basic UI eligibility requirements. In California, eligibility requirements for regular unemployment insurance are relatively liberal. Before 1980, a worker must have earned at least $750 in wages during the 12 month "base period" prior to receiving benefits (increased to $900 in 1980). That amount of earnings would provide, however, only minimal regular unemployment insurance weekly benefits of $31. Up to 1980, the weekly ceiling for unemployment insurance benefits was a maximum of $104 ($120 in 1980) if the recipient earned $3,308 ($4,160 in 1980) or more in the highest quarter of his or her base period. Thus a worker who is eligible for maximum weekly benefits would receive $21 ($24 in 1980) for each day lost out of a workweek.

The California legislation allows the payment of SWUC benefits to each participating employee for up to 20 weeks during a 52-week period beginning with the first week benefits are paid. If this 20-week duration period is exhausted and workers are then laid off, those who lose their jobs will be eligible for regular UI with the duration reduced slightly to reflect the dollar costs of the SWUC benefits that have been received.[11]

The SWUC program was also designed to interfere as little as possible with existing labor-management relationships. Participation in the SWUC program is strictly voluntary with employers. However, the union bargaining agent must agree to the plan if participating employees are covered by a collective bargaining agreement. Where no such agreement exists, the employer is free to make the participation decision unilaterally. Since there have, so far, been no signs of employee resistance to the program among participating firms, it appears that the decision to participate is mutually agreeable to workers and firms.

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[11] For example, if a recipient was eligible for a total of $3,120 in UI benefits (which is the maximum 1980 weekly benefit of $120 for 26 weeks), and received a total of $480 or $24 a week in SWUC benefits for 20 weeks, he or she would have $2,640 ($120 a week for 22 weeks) worth of regular UI if laid off after using SWUC.

Employers participating in the California "Shared Work Unemployment Compensation" Program are charged for benefits in the same manner as they are charged for regular UI benefits. However, participating employers whose recent history of unemployment insurance benefit charges exceed their contributions ("negative reserve employers") are required to pay additional unemployment insurance taxes ranging from .5% to 3.0% on the first $6,000 of all employee wages, in succeeding calendar years. Such UI tax increases are intended to discourage work-time reductions and use of SWUC by economically marginal firms.

In the interest of encouraging employer participation in the SWUC program and in an attempt to keep "bureaucratic red tape" to a minimum, administration of the program has been kept simple. Employers are only required to call or write for a two-page application form, provide basic employee identifying information, state that work time reductions are economically necessary and submit information on the amount of wage and hour reductions. If the SWUC application is approved, participating employers provide their participating employees with a weekly statement of reduced hours and wages which employees then use to claim SWUC benefits.

SWUC is intended to prevent layoffs. However, California employers are not required to "document" or prove that a reduction in hours cannot be avoided. Nor are employers prevented from laying off some workers before or after beginning the SWUC program. The question of fringe benefit continuation (health insurance, retirement, etc.) is not addressed in the California legislation and therefore is left to each employer. No restrictions are placed upon the employer's operation of his or her business, including discharges, transfers, and new hires. Additionally, the number of SWUC participants as well as the original wage and hour reduction assigned by the employer may be easily changed by means of written notification to the Employment Development Department. Restrictions on workers who participate are also kept to a minimum.

Workers receive their SWUC benefits directly from the state by mail. However, an initial claim must be filed personally by each worker at a local branch office of the Employment Development Department. SWUC benefits are not taxable under California law but are taxable, to the same extent regular UI benefits are, under Federal law.[12] One restriction on outside or extra work does exist. Workers who either "moonlight" or perform work in excess of the "reduced" hours assigned by their employers have such earnings deducted from their SWUC benefits.

Workers whose employers have stated that the SWUC plan will be used as a temporary measure (defined as fewer than 10 weeks) are automatically exempted from the normal work search requirements that regular unemployment insurance recipients must adhere to. Employers who state that their expected downturn will last longer than 10 weeks but who believe that the downturn is nevertheless "temporary" in nature may also have employees exempted from the normal work search requirements simply by providing an explanation as to why they believe the downturn to be temporary. If, however, an employer who is expecting a permanent work force reduction uses SWUC as a transition mechanism which allows employees to look for other employment while working reduced work hours, those workers receiving benefits must adhere to the work search requirement of the regular UI system. During the first 15 months of the program's existence, only one employer with five workers has used SWUC in this fashion.

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[12] If individual annual incomes are over $10,000 or joint spouse annual incomes are over $25,000, UI benefits are taxable under federal law.

To date, the California SWUC program has been little known and used in comparison with regular unemployment insurance. Between July 1978 and the end of September 1979, 312 employers had approved SWUC plans, covering 7,603 employees. Some 3,165 of these employees filed SWUC claims and received, on the average, $23.63 per week for an average duration of 4.85 weeks. The average number of total dollars paid to SWUC recipients was $114.65 and the total amount paid in SWUC benefits up to September 1979 was $263,698.

Use of the program grew slowly at first, with only 67 firms receiving certification during the seven months between July 1978 and February 1979. However, growth of participation has accelerated with the total number of certified firms increasing to 452 by January 1980. It is commonly assumed that early lack of use and subsequent increases of participation can be largely attributed to a gradual growth of awareness about the program. Nonetheless, when one considers that there are over 500,000 firms and 10 million workers in California it is apparent that the SWUC program has thus far had little statewide impact.

The level of participation and quality of data currently available preclude any definitive assessments of the SWUC program at this time. However, existing information can provide some provisional indications of how a "short-time compensation" program may function within the United States.

Some 33.3 percent of certified firms were manufacturing industries and 14.1 percent were wholesale and retail industries. Interestingly, firms using regular layoffs leading to UI claims were decisively skewed more toward retail-wholesale and service industries (See Table 1). Data on participating workers further underscores the applicability of this program to the manufacturing sector. Some 75.5 percent of the 3,165 workers who made claims for SWUC benefits were employed by firms in the manufacturing sector in comparison to 28.5 percent of the workers making regular UI claims (See Table 2). This high proportion of manufacturing workers is caused by large firm size and an extremely high rate of actual program utilization within this sector. As in the case with the German program, SWUC appears to be particularly applicable to manufacturing firms.

The size of firms participating in SWUC have so fare been small rather than large. Some 85 percent of participating firms had

Table 1

COMPARISON OF CALIFORNIA FIRMS USING "SHARED WORK UNEMPLOYMENT COMPENSATION" AND REGULAR LAYOFFS

Firm Characteristics	SWUC Participants[1]		Layoffs with UI[2]	
	Number	Percent	Number	Percent
Total	312	100.0	435,417	100.0
Industrial Sector				
Agriculture	8	2.6	36,117	8.3
Mining and Energy	1	.3	932	.2
Construction	8	2.6	42,356	9.7
Manufacturing	104	33.3	36,477	8.4
Transportation	24	7.7	13,219	3.0
Retail and Wholesale	44	14.1	131,538	30.2
Finance, Real Estate	3	1.0	34,783	8.0
Services	38	12.2	137,589	31.6
Other	82	26.3	2,406	.6
Size of Firm				
Under 50 Workers	244	78.2	472,972	94.0
51-100 Workers	39	12.5	14,727	3.1
101-200 Workers	16	5.1	5,763	1.2
201-500 Workers	10	3.2	5,646	1.2
501-1,000 Workers	3	1.0	1,238	.3
Over 1,000 Workers	0	-	905	.2
Portion of Work Force Effected				
Under 20 Percent	28	9.0	NA	NA
21-40 Percent	37	11.9	NA	NA
41-60 Percent	59	18.9	NA	NA
61-80 Percent	58	18.6	NA	NA
81-100 Percent	130	41.7	NA	NA
Unionization				
Unionized	34	10.9	NA	NA
Non-Unionized	278	89.1	NA	NA
UI Reserve Acct. Status				
Positive Account	251	78.2	243,399	55.9
Negative Account	45	14.0	76,085	17.5
Non-Rated	25	7.8	109,704	25.2
No Longer in Business	-	-	6,265	1.4

SOURCE: (1) California Employment Development Department, September 30, 1979

(2) UI Claimant Characteristics Study, July 1, 1976 and June 30, 1977, Employment Data and Research Division, California Employment Development Department, Sacramento, January 1979.

Table 2

COMPARISON OF CALIFORNIA WORKERS EXPERIENCING "SHARED WORK UNEMPLOYMENT COMPENSATION" AND LAYOFFS WITH REGULAR UNEMPLOYMENT INSURANCE

Worker Characteristics	SWUC Participants[1]		Layoffs with UI[2]	
	Number	Percent	Number	Percent
Total	3,165	100.0	5,687	100.0
Sex				
Men	1,963	62.0	3,420	60.5
Women	1,171	37.0	2,237	39.5
Age				
Under 20 Years	158	5.0	792	14.0
20-29 Years	1,076	34.0	1,586	28.0
30-39 Years	1,044	33.0	1,284	22.7
40-49 Years	412	13.0	842	14.9
50-59 Years	348	11.0	710	12.6
60 Years and Over	95	3.0	367	6.5
Unknown	32	1.0	76	1.3
Race				
White	1,614	51.0	3,305	58.4
Non-White	1,451	49.0	1,452	41.6
Normal Weekly Income				
$0-99	31	1.0	803	14.1
$100-199	1,646	52.0	2,430	42.8
$200-299	1,076	34.0	1,209	21.3
$300-399	317	10.0	546	9.6
$400-499	32	1.0	445	7.8
$500 and Over	31	1.0	-	-
Unknown	32	1.0	248	4.4
Unionization				
Unionized	816	25.8	933	16.5
Non-Unionized	2,349	74.2	4,281	75.7
Unknown	-	-	443	7.8
Weekly Benefits Received				
Under $25	NA	NA	-	-
$26-40	NA	NA	767	13.6
$41-60	NA	NA	1,191	20.1
$61-80	NA	NA	1,405	24.8
$81-100	NA	NA	832	14.7
Over $100	NA	NA	1,462	26.8
Industrial Sector				
Agriculture	4	.1	362	6.4
Mining and Energy	10	.3	22	.4
Construction	19	.6	570	10.1
Manufacturing	2,389	75.5	1,611	28.5
Transportation	5	.2	272	4.8
Retail and Wholesale	174	5.5	1,363	24.1
Finance, Real Estate	14	.4	226	4.0
Services	226	7.1	1,263	21.3
Unknown	324	10.0	28	.5

SOURCE: (1) California Employment Development Department, September 30, 1979.

(2) UI Claimant Characteristics Study, July 1, 1976 and June 30, 1977, Employment Data and Research Division, California Employment Development Department, Sacramento, January 1979.

fewer than 40 benefit drawing employees and only four firms had over 200 employees (See Table 1). This pattern, however, may not continue if participation in the program continues to expand.

The typical work and wage reduction utilized by participating firms in California is 20 percent. About two-thirds of those participating went from 5-day weeks to 4-day weeks. About 6 percent of participating employers chose a 10 percent work time reduction, while 28 percent chose work time reductions of 30 percent or over (See Table 1). Only five of the 312 firms certified to use SWUC as of September 1979 involved workers with standard workweeks under 35 hours.

Many employers have chosen to involve only a portion of their total work force in the SWUC program. The 312 employers using SWUC by the end of September 1979 employed 14,273 workers, but only 7,603 of these employees were included in the SWUC utilization plans. Unionized firms in this group had 4,587 employees, but only 1,294 were certified to use the SWUC program. Significant portions of work forces not using SWUC may be salaried and white collar employees who are not commonly subject to layoffs, or members of work units which are functioning at full level. On the other hand, the large numbers of employees within firms using SWUC may indicate that the program may be used selectively such that low skilled and junior employees are laid off with SWUC being used to retain highly skilled or senior workers, thus defeating much of the affirmative action goals of the program.[13]

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[13] "Remarks of John L. Zalusky, Economist, Department of Research, AFL-CIO", Presented to the National Commission on Unemployment Compensation, New York, New York, August 24, 1979.

It is particularly noteworthy that the firms that have thus far utilized SWUC appear to have healthier UI tax account standings than those using layoffs leading to UI claims. Some 78.2 percent of the firms participating in SWUC had a positive reserve account status (tax contributions to the UI system have been greater than withdrawals) in contrast to 55.9 percent of firms whose workers use regular UI. This suggests that the SWUC program is not unduly subsidizing marginal firms, and that the program's special sur-tax for negative-balance employers provides a disincentive to participation by such firms.

Of the 7,603 workers approved to receive SWUC benefits, only 3,165 actually filed claims. Preliminary indications are that many employers who believed that they would have to lay off workers or cut workweeks obtained certification for SWUC but ultimately found its use to be unnecessary. Additionally, it appears that a notable portion of employees within firms using SWUC have failed to submit their claims for SWUC benefits.

It is noteworthy that the incidence of union affiliation has so far been higher among SWUC claimants than among workers claiming regular UI benefits. Specifically, 25.8 percent of the workers claiming SWUC up to September 1979 were unionized as compared to 16.5 percent of regular UI claimants. While this issue requires a far more detailed assessment, it would appear that unionization has not deterred participation.

Breakdowns of SWUC claimant data by age, race and sex suggests that use of the program may provide greater job security for low seniority and minority workers. The proportion of younger workers is lower among SWUC than UI claimants, indicating that junior workers are retained rather than laid off. Breakdowns by race and sex present puzzling results. If minorities and women are laid off before other employees, their proportions should be higher among regular UI claims than among those claiming SWUC benefits. Curiously, there is little difference by sex, and the proportion of minority use of SWUC is higher than the proportion using regular unemployment insurance. These figures could indicate that SWUC is used among firms with a high incidence of minority and women workers, that many minorities and women are ineligible for UI, or that there are inaccuracies in the available data.[14] More detailed analysis will be necessary to assess the affirmative action implications of SWUC.

Opinions collected from representatives of participating firms and unions provides provisional indications that the SWUC program has been generally well received. Early in December 1979, representatives from 30 of the firms which actually used SWUC were interviewed by phone. Of these firms, 25 strongly favored the program and 5 were neutral. Firm representatives favored the program because it helped them retain valued employees, was generally appreciated by workers, and was easy and flexible to administer. Representatives from 20 of the 36 local unions participating in the program prior to December 1979 were also interviewed. Some 14 favored the program, 3 were neutral or unaware of the program, and 3 had not actually used the program. Major reasons for approval were that use of SWUC was fairer than layoffs and that workers were generally better off financially because only a portion of earnings were lost and most fringe benefits were maintained. Four union representatives reported initial resistance to the program from their members, but also noted that opposition had dropped off once workers became familiar with the idea.

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[14] UI Claimant Characteristics Study, July 1, 1976 and June 30, 1977, Employment Data and Research Division Estimates Group, California Employment Development Department, Sacramento, California, January 1979, page 9.

Data currently available about the California SWUC program does not allow a conclusive assessment of the program's impacts within the United States. However, data from other sources can elaborate and expand what we now know about such programs. First, a preliminary cost-benefit analysis suggests the likely economic impacts of short-time compensation on workers, firms and the commonwealth. Second, recent national survey data indicates the degree of acceptance for the STC concept within the United States. Third, data from comparable STC programs in Europe can tell us something about the effects of such programs when they become fully established.

Economic Costs and Benefits of Short-Time Compensation

Ultimately, the economic costs and benefits of STC must be determined by empirical evaluation of working programs. Nonetheless, data on the costs of labor and social programs can be used to illustrate the likely economic impacts of using short-time compensation in comparison to layoffs. This can be accomplished by a hypothetical example developed to contrast laying off 20 percent of low seniority and low income employees with a 20 percent (1 day) work time reduction with STC benefits within a fictitious firm employing 100 wage earning workers. These workers have average 1980 U.S. pay levels and benefits under the income tax and UI benefit conditions existing in California. Further, the income and fringe benefits are distributed within this fictitious group of workers to roughly reflect prevailing U.S. conditions.[*] Thus the highest paid 20 percent receives a gross weekly wage of $380, the average worker a gross weekly earnings of $265, and the lowest 20 percent a gross weekly income of $155. The lowest paid 20 percent are assumed to have low seniority and be subject to layoffs when they occur. The economic impacts of STC and layoffs under these conditions are demonstrated in Table 3.

The use of STC as opposed to layoffs will produce economic gains for junior workers at the expense of those with seniority, minimize losses to all parties due to reduced income taxes and STC benefits, and improve the aggregate economic well being of the total work group with a four-day workweek, high seniority workers in the top fifth earning level would take home a net weekly paycheck of $268.48 or about 91 percent of the $294.94 they would receive under full-time conditions. Low seniority employees in the lowest earning levels would take home $128.16 under STC in comparison to the $74.00 in UI benefits they would receive if totally laid off. The average worker would maintain about 92 percent of his or her regular take home earnings under short-time.

Under STC, all workers would maintain some degree of job attachment, as well as all or most of the fringe benefits

Table 3

HYPOTHETICAL COMPARISON OF COSTS AND BENEFITS OF SHORT-TIME COMPENSATION AND LAYOFFS TO TYPICAL FIRM, WORKERS AND GOVERNMENT
(Typical Firm with 100 Production Workers Over 1 Week)

[illegible] and [illegible] Factors	Standard Conditions (40 hour workweek)							Work Time Reduction (20 Percent of Standard Labor Input)													
	Total Work Force (100 Workers)						Total	Layoffs (20 Percent of Work Force)							Reduced Workweek (32 Hours)						
								Retained Workers				Laid Off		Total	Total Work Force (100 Workers)						Total
	Average Worker		Highest Paid 20% of Wkers		Lowest Paid 20% of Wkers			Average Worker		Highest Paid 20% of Wkers		Lowest Paid 20% of Wkers			Average Worker		Highest Paid 20% of Wkers		Lowest Paid 20% of Wkers		
	$/wk	$/hr	$/wk	$/hr	$/wk	$/hr	$/100 Wkers	$/wk	$/hr	$/wk	$/hr	$/Wk	$/Total	$/100 Wkers	$/wk	$/hr	$/wk	$/hr	$/wk	$/hr	$/100 Wkers
Impact on Workers																					
[illegible]																					
Gross wage, UI & Benefits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Net wage, UI & Benefits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Net wage & UI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wages:																					
Gross wages[a]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net wages (After Taxes)[b]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Fringe Benefits[c]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UI Compensation[d]	0	0	0	0	0	0	0	0	0	0	0	[illegible]	[illegible]	0	[illegible]		[illegible]		[illegible]		[illegible]
Impact on Firms																					
Total Labor Costs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gross Wages	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Fringe Benefits[c]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Payroll Taxes																					
UI (Tax Rate)[e]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Social Security[b]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Turnover Costs[f]	0	0	0	0	0	0	0	0	0	0	0	+	+	+	0	0	0	0	0	0	0
Impact on UI System																					
UI System																					
Benefit Payments[d]	0	0	0	0	0	0	0	0	0	0	0	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]		[illegible]		[illegible]
Tax Revenue[e]	[illegible]		[illegible]		[illegible]			[illegible]		[illegible]		0	0	[illegible]	[illegible]		[illegible]		[illegible]		[illegible]
Other Government Programs																					
Program Expenditures[f]	0	0	0	0	0	0	0	0	0	0	0	+	+	+	0	0	0	0	0	0	0
[illegible] Tax Revenues[b]	[illegible]		[illegible]		[illegible]		[illegible]	[illegible]		[illegible]				[illegible]	[illegible]		[illegible]		[illegible]		[illegible]
Income Tax Revenues[b]	[illegible]		[illegible]		[illegible]		[illegible]	[illegible]		[illegible]		0	0	[illegible]	[illegible]		[illegible]		[illegible]		[illegible]

ASSUMPTIONS: [illegible] assumptions of table are (1) 40 hour standard workweek with no overtime, (2) all employees eligible for unemployment insurance, (3) lowest paid 20 percent of workers are also lowest seniority and subject to layoffs, (4) distribution and levels of wages and benefits approximate late 1979 conditions for non-salaried U.S. production workers, and (5) taxes and unemployment insurance benefits [illegible] California conditions.

SOURCES: (a) [illegible] average wage for one week extrapolated from August 1979 average U.S. manufacturing workers' weekly income ("Current Labor Statistics", Monthly Labor Review, October 1979, Table 23, page 98) and typical distribution of earnings within a work group of 100 employees into average highest 20 percent and lowest 20 percent approximated from national income distribution patterns for male wage earners in manufacturing industries (Current Population Reports, Consumer Income, Bureau of the Census, U.S. Department of Commerce, Series P-60, No. 118, March 1979, Table 54, pages 218-221).

(b) Dollar value of taxes deducted from gross weekly earnings to determine net earnings based on federal and California income withholding tax rates for worker with three exemptions (California [illegible] Development Department, January 16, 1979) and 1979 Social Security tax rates requiring payment of 6.13 percent of the first $22,900 of individual annual earnings by both employer and employee.

(c) Dollar cost of fringe benefits such as medical care, private retirement pensions and paid time off computed as 32 percent of gross earnings based on available data (1977 Handbook of Labor Statistics, U.S. Department of Labor, page 237; and Employment Benefits, U.S. Chamber of Commerce, Washington, D.C., 1975).

(d) Full weekly UI benefits and 20 percent benefits based on California benefit determination formula effective January 1980. Full UI benefits would be $74 a week for a fully unemployed worker earning $[illegible] a week, $107 for workers earning $265 a week, and $120 for workers earning $380 a week. The California UI benefit ceiling is $120 a week.

(e) Unemployment insurance tax payments computed from estimated typical employer UI tax based on average 1977 California tax rate of 2.46 percent (Actuarial Report of the California Unemployment Fund, Milliman and Robertson, Inc., 1979, Table 2A, pages 28-29) adjusted upward 4 percent to account for employee turnover (1977 Employment and Training Report of the President, U.S. Department of Labor, page 132) and prorated over a one year period to represent average UI tax expenditures by employer on first $6,000 of employee earnings for varied levels of continuously earned annual income.

(f) Unavailability of acceptable data showing dollar value of employer turnover costs resulting from hiring and training expenditures, and public program expenditures associated with varied levels and types of work losses has made it necessary to note expected impacts in terms of (+) for increased expenditures, (0) for no change in expenditures and (-) for reduced expenditures.

which accompany employment. When the value of these benefits are added to net pay, the average employee under STC would maintain 94.2 percent of total full-time "take home" compensation as opposed to 92.5 percent under layoffs. Additionally, all workers experiencing reduced workweeks with SWUC would have an additional day off and higher effective per hour pay rates due to the partial UI income subsidy. Finally, since approximately one-fifth of UI applicants are judged ineligible due to inadequate base earnings,[15] low seniority workers without eligibility would maintain at least partial wages as opposed to complete loss of income resulting from total layoff.

The typical firm is likely to have lower labor and turnover costs under STC as opposed to layoffs, but other factors are likely to preempt this consideration in deciding whether STC is a viable alternative to layoffs for firms. Although firms will spend more per hour of labor on fixed fringe benefit commitments, overall labor costs are likely to be lower under STC because reductions in work time for all employees will tend to reduce average wages. The average sum of wage and benefit costs per hour in this example is $9.81 under STC as opposed to $10.22 under regular layoffs and $9.26 under standard full-time conditions. Lower turnover costs resulting from avoidance of recall, new hiring, and training would likely lead to further savings by firms using STC. However, these savings are likely to be at least partly counter balanced by a slight increase of firm UI taxes as a result of higher partial UI payments given to senior workers with large base earnings. Of course, labor costs can be expected to be higher under both STC and layoffs than they would be under full-time conditions, suggesting that firms would not wish to utilize STC unless confronted with economic problems.

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[15] Actuarial Report of the California Unemployment Fund, Milliman and Robertson, Inc., San Francisco, 1977.

As suggested previously, factors other than labor costs are likely to determine the viability of STC to firms. Most notably, the nature of firm technology and organization are likely to be a predominant consideration. In some cases workweek adjustments can be made without undesirable sub-utilization of capital and reduced productivity. In other cases, rigid relationships between capital and labor may make workweek reductions technically impossible. As such, participation in STC as an alternative to layoffs will depend upon highly specific firm conditions. Additionally, if experienced senior workers are significantly more productive than their junior counterparts, firms may be reluctant to retain low seniority workers by cutting back the work time of senior employees.

Presumed benefits to workers and firms resulting from use of SWUC are likely to be gained through increased costs to the commonwealth. As previously noted, the level of average benefits under STC is likely to be higher than UI payments resulting from layoffs because benefits for senior workers with higher earnings will be greater than those collected by low paid junior workers. Of course, such extra costs are likely to be partially recouped over the long-run by increased UI taxes for firms participating in the STC program. Use of STC will also reduce general tax revenues received by the government. Since workers, particularly those with higher incomes, will pay proportionally less taxes with reduced earnings, total revenues from income based taxes will be lower. Specifically, the weekly state, federal and social security taxes collected from the average STC participant in the hypothetical example would be $59.88 as opposed to $46.80 for the average worker in the group experiencing layoffs. To some degree, these losses will be slightly offset by lower expenditures on public programs such as food stamps, social security and medicare for work groups using STC as opposed to layoffs.[16]

Although utilization of STC entails both costs and benefits to all affected parties, hypothetical assessments of these impacts suggest that they are likely to net gains within firms and work groups where the program is applicable. But how acceptable is the concept to the general public and working population? Most particularly, does commitment to seniority as the basis of layoff decisions represent a major obstacle to the evolution and utilization of short-time compensation.

The Climate of Acceptance for STC

As in the case of assessing economic impacts on workers, firms and the commonwealth, determination of the acceptability as the basis of layoff decisions represent a major obstacle to the evolution and utilization of short-time compensation?

As in the case of assessing economic impacts on workers, firms and the commonwealth, determination of the acceptability of STC will require detailed evaluation of working programs. Nonetheless, a preliminary assessment of the acceptability issue can be obtained from responses to three survey questions collected during August 1978 from a national random sample of 955 employed workers.[17]

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[16] Fred Best, Op.Cit., page 18.

The first question asked respondents whether they would support a one-fifth reduction of their workweek with short-time benefits amounting to half of their weekly pre-tax pay as an alternative to a 20 percent layoff within their own work place. In response, some 36.1 percent strongly favored the idea, 27.6 precent favored it somewhat, 17.7 were neutral, 8.0 percent disfavored it somewhat, and 10.6 percent strongly disfavored the program (See Table 4).

These responses varied somewhat by major social characteristics (See Table 4). Favorable responses declined markedly with increased income. Presumably those with higher incomes felt they would personally lose too much. Particularly notable was the fact that preferences in favor of the program increased with age and that union members were slightly more favorable than non-members, noteworthy findings considering that many persons have suggested that job security provided through union enforced seniority systems might lead members to oppose STC. Skilled laborers were more favorably inclined toward short-time compensation than other occupations, and respondents in managerial jobs differed from other occupational groups only by evidencing slightly more opposition. Women favored short-time compensation more than men; and there was little variation of preferences according to race.

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[17] Fred Best, *Exchanging Earnings for Leisure: Findings of an Exploratory National Survey on Work Time Preferences*, Special Research Monograph, Office of Research and Development, Employment and Training Administration, U.S. Department of Labor, 1980, pages 111-118.

Table 4

WORKER PREFERENCES TOWARD THE USE OF SHORT-TIME COMPENSATION AS AN ALTERNATIVE TO LAYOFFS BY SELECTED SOCIAL CHARACTERISTICS
(Percentage Breakdown)

Social Characteristics	Strongly Favor	Favor Somewhat	Neutral	Disfavor Somewhat	Strongly Disfavor	Correlation (Pearson r)	Number of Respondents
Total	36.1	27.6	17.7	8.0	10.6	NA	953
Occupation						NA	
Prof-Tech	33.9	27.2	16.7	8.9	13.3		180
Managerial	32.8	19.3	25.2	5.0	17.6		119
Clerical-Sales	33.3	34.9	15.9	4.8	11.1		126
Skilled Labor	42.9	26.6	18.8	5.4	8.3		240
Operatives-Laborers	36.1	29.9	14.0	12.2	9.8		164
Service	36.7	29.6	18.4	13.3	4.1		98
Farm	30.8	38.5	15.4	0	15.4		13
Education						.0725	
Some H.S. or Less	41.8	22.4	19.9	9.0	7.0	(s=.03)	201
High School Degree	38.1	27.0	18.6	8.5	7.9		318
Some College	31.4	30.1	17.9	5.2	15.3		229
College Degree	29.2	34.6	16.7	9.4	10.4		96
Some Graduate School	36.3	27.5	10.8	8.8	16.7		102
Total Family Income						.1023	
Under $4,999	43.5	26.6	16.8	4.9	8.2	(s=.00)	61
$5,000-$9,999	36.5	22.8	23.4	11.0	8.3		165
$10,000-$14,999	41.0	31.3	16.9	4.1	6.7		195
$15,000-$19,999	33.5	30.4	20.9	7.9	7.3		191
$20,000-$24,999	36.8	25.6	12.0	10.5	15.0		133
$25,000-$34,999	43.0	23.4	15.0	8.4	10.3		107
Over $34,999	21.2	30.6	15.3	8.2	24.7		85
Union Affiliation						NA	
Member	38.1	28.2	18.3	6.4	8.9		202
Non-Member	35.5	27.5	17.7	8.3	11.1		739
Form of Payment for Work						NA	
Wage	38.5	29.1	15.4	9.8	7.2		447
Salary	32.8	28.7	19.7	6.7	12.2		345
Other	35.9	21.2	20.5	5.8	16.7		156
Hours Worked Weekly						.0957	
Under 34	42.9	29.3	13.1	6.1	8.6		198
35-39	32.4	30.4	23.5	9.8	3.9		102
40-44	35.3	27.8	16.7	9.6	10.6		636
Over 44	33.2	24.2	21.2	5.5	15.7		217
Major Activity of Spouse							
Men						NA	
Not Married	37.2	26.3	19.0	5.8	11.7		137
Working Full-time	32.5	26.1	15.3	15.9	10.2		157
Working Part-time	26.1	30.4	20.3	13.0	10.1		69
Unemployed & Off-Job	44.1	23.5	17.6	11.6	2.9		34
Keeping House & Other	37.7	22.9	19.5	7.1	14.8		210
Women						NA	
Not Married	36.5	30.4	12.2	9.6	11.3		115
Working Full-time	39.8	29.3	19.9	3.9	7.2		181
Working Part-time	27.3	36.4	18.2	0	18.2		11
Unemployed & Off-Job	40.0	40.0	13.3	0	6.7		15
Keeping House & Other	61.5	15.4	23.0	0	0		13
Sex						NA	
Men	34.6	26.1	18.3	9.5	11.6		613
Women	38.8	30.3	16.8	5.3	8.8		340
Marital Status						NA	
Single	28.4	33.9	18.6	9.3	9.8		183
Married	36.3	26.4	18.7	7.7	10.9		659
Div-Sep-Widowed	47.2	24.5	11.3	6.6	10.4		106
Number of Dependents						.0162	
None	36.1	27.9	17.4	8.7	10.0	(s=.62)	391
One	32.3	29.6	19.0	6.9	12.2		189
Two	41.4	25.7	16.2	8.4	8.4		191
Three	35.2	28.6	17.1	7.8	11.4		105
Four or More	33.8	23.0	21.6	6.8	14.9		74
Age of Youngest Child						.0277	
No Children	36.5	28.6	15.8	8.7	10.4	(s=.40)	367
Under 5 Years	35.2	27.0	20.4	7.7	9.7		196
5-9 Years	37.0	26.8	17.3	8.7	10.2		127
10-14 Years	34.7	28.8	19.5	7.6	9.3		118
Over 14 Years	35.1	24.3	18.0	6.3	16.2		111
Age							
Under 25	29.4	35.9	19.4	6.5	8.8		170
25-34	34.6	27.7	20.4	8.1	9.2		260
35-49	37.0	24.3	17.3	7.7	13.7		284
50-64	40.6	25.0	14.7	9.8	9.8		224
Over 64	53.8	30.8	7.7	0	7.7		13
Race						NA	
White	36.2	26.8	17.6	7.7	11.6		816
Nonwhite	35.6	31.1	18.9	9.8	4.5		132

QUESTION: Assume that it is necessary for your employer to lay off 2 out of every 10 workers for a temporary but unknown period. Assume also, that in order to prevent layoffs the government would give workers one-half of their pre-tax pay for each day they shorten their workweek. In this way, you could get regular pay for working 32 hours, get half your pre-tax pay for the day you did not work, and no one would be laid off. How strongly would you favor or disfavor the use of such a plan in your own work place? (A) Strongly Favor, (B) Favor Somewhat, (C) Neutral, (D) Disfavor Somewhat, (E) Strongly Disfavor.

While survey data indicate that the American work force may find STC to be an acceptable alternative to layoffs, responses to another question indicate that most workers would not favor use of the program for a prolonged period. Specifically, 26.8 percent preferred not to use the program at all, 40.5 percent would limit maximum use to between one and four weeks, 12.5 percent preferred a maximum of five to nine weeks, 9.1 percent ten to twenty-six weeks, and 11.3 would accept durations of over twenty-six weeks.

Responses to yet another question suggest that an increase in the level of short-time benefits would not appreciably increase acceptance of the program. When the benefit level was increased from the 50 percent replacement rate noted in the first question to two-thirds of regular pre-tax earnings 37.3 percent reported that they "strongly favored" the program, 31.9 percent that they favored it somewhat, 13.1 percent that they were neutral, and 17.7 percent that they disfavored the idea with varying intensity. These responses were hardly distinct from those made for the first question. Apparently, American workers endorse the concept of temporary subsidization of work sharing, but see little value in raising the subsidy to a point where it virtually replaces lost take home pay.

Examining Foreign Short-Time Programs

Short-time compensation programs similar to those being considered in the United States have been in effect within other nations since as early as the 1920's. Among the nations reporting use of such programs are the Federal Republic of

Germany, Belgium, France, Italy, Great Britain, Luenburg, Denmark, Netherlands, Norway, Austria, and most recently Canada. These programs vary considerably from nation to nation in terms of source of funds, benefit levels, duration of benefits, eligibility requirements and program administration.[18]

Of the short-time benefit programs practiced by foreign nations, the German program most closely parallels the framework that is being discussed within the United States. It is the oldest and best documented of such programs and an examination of its details can provide useful insights for U.S. policy makers and planners.

The West German short-time allowance scheme made its first appearance in the Placement and Unemployment Insurance Act of July 1927.[19] The law was repeatedly revised and most recently renewed with some amendments in the Employment Promotion Act of June 25, 1969.

The West German program is administered by the Federal Labor Institute, an independent tripartite organization composed of labor, business and the government which administers unemployment insurance, unemployment assistance, and other measures designed to improve the operations of the labor market.[20] Since worker eligibility for short-time benefits is determined by eligibility for unemployment insurance, it can be said that the STC program

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18. Peter Henle, *Work Sharing as an Alternative to Layoffs*, Congressional Research Service, Library of Congress, July 19, 1976; and Richard Beleous and Sar Levitan, *Shorter Hours, Shorter Weeks*, John Hopkins University Press, Baltimore, 1977.

19. *Placement and Unemployment Insurance Act*, July 16, 1927, pages 116-119.

20. Paul Fisher, "Notes on Work Sharing in the Federal Republic of Germany in 1978", unpublished paper prepared for the Office of Research and Development, Employment and Training Administration, U.S. Department of Labor (Contract No. 20-24-78-48), July 1978, pages 3-4.

is administrated within the context of the UI system.[21] All these programs are financed by a 3 percent payroll tax divided equally between employers and employees up to an established earnings ceiling.[22]

The German short-time program is available to firms with at least one paid employee. To gain eligibility, a firm must demonstrate that a reduction in hours of labor is unavoidable, and that work time reductions with short-time benefits will prevent the dismissal of employees.[23] Further, employers must document that work time reductions of 10 percent or more have been made for one-third or more of their employees for a period of at least four continuous weeks.[24] Although some consideration is given to using the program for long-term adjustment assistance, eligibility has traditionally been enied to firms and industries that showed signs of permanent decline.[25]

Informal assessments indicate that program administrators are somewhat "at the mercy" of firms in determining the eligibility of applicants.[26] The time constraints of program administrators coupled with the lack of specific technical knowledge leads many to admit that they must largely "trust" the good intentions of firms that apply for certification.[27] Given these circumstances, the major goal of program administrators is to monitor for obvious abuses and seek to weed out potential uses that have little chance of recovery. Despite the apparent shortcomings of this certification procedure, there are few indications of program abuses.[28]

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[21] *Federal Employment Institute of the Federal Republic of Germany*, prochure describing government employment programs in effect in 1974, pages 44-55; and *Germany: Reviews of Manpower and Social Policies*, Organisation for Economic Co-operation and Development, Paris, 1974.

[22] Paul Fisher, *Op.Cit.*, pages 4-5.

[23] Paul Fisher, *Op.Cit.*, pages 4-5.

[24] *Ibid*, page 4; and Fred Best, "Short-Time Compensation and Work Sharing", National Commission for Employment Policy, Washington, D.C., April 1978, page 8.

[25] Paul Fisher, *Op.Cit.*, page 5.

[26] Gunther Schmid, *Op.Cit.*, pages

German labor law requires that decisions to reduce work time or layoff workers must be done with the mutual agreement of the employer and the Worker Councils established within most firms.[29] Worker Council consent on the use of STC is binding upon the entire affected staff of an enterprise or department involved. Dissenting workers can only terminate employment to avoid a shorter workweek.[30] The German program appears to allow firms considerable discretion in determining what portions of their work forces go on short-time and how use of short-time

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27. Ibid, pages 21-22 and 44.

28. Of the rare incidences of cited abuses, the most frequently mentioned include work "speed ups" requiring employees to produce as much on short hours as they did on regular time (Fred Best, "Short-Time Compensation and Work Sharing", unpublished paper, National Commission for Employment Policy, Washington, D.C., April 1978, page 12), employment in "second jobs" during reduced workweek without reduction in STC payments (Paul Fisher, Op.Cit., page 21), unreported "black work" which is not recordable due to cash payment of workers by employers (Ibid, page 23), worker-employer collusion to provide subsidized leisure or work (Ibid, page 22), and use of short-time compensation to support inefficient firms where obvious managerial changes would make both layoffs and shorter workweeks unnecessary (Ibid, page 22).

29. Bruce Millen, "Job and Income Protection Measures for Worker in Sweden, Germany and England", Office of the Assistant Secretary for Policy, Evaluation and Research, U.S. Department of Labor, July 13, 1978, page 10.

30. Paul Fisher, Op.Cit., page 7.

is adjusted over time. Employers are allowed to transfer workers within the firm, and a moderate amount of discharges and new hiring is allowed as long as the overwhelming portion of employees maintain their jobs.[31]

Workers appear to be generally willing to let management take the initiative in deciding whether or not to use STC. However, there have been a few cases where employees have refused employer initiatives, and correspondingly little incidence of worker initiatives to utilize STC. In most cases, collective bargaining agreements have been adapted to the use of short-time as an alternative to layoffs, and the managerial decisions to utilize STC comply with pre-established procedures.[32]

Once eligibility is determined, the Federal Labor Institute authorizes the payment of specified benefit amounts to workers. The firm pays these benefits directly to its employees, and is in turn reimbursed for these expenditures by the government. As in the California program, the amount of short-time benefits given to claimants is determined from the proportion of full-time unemployment that work time reductions comprise. The replacement rate of STC to earnings ranges between 60 to 68 percent of net income lost due to reduced work time up to a maximum benefit ceiling.[33] Short-time benefits are tax free.[34] However, these benefits are reduced in the amount of 50 percent of all earnings taken in by recipients for work performed in excess of the reduced work hours provided by the primary employer.[35]

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[31] *Ibid*, page 6.
[32] *Ibid*, pages 15-16.

[33] *Ibid*, page 4; and Axel Mittelstadt, "Unemployment Benefits and Related Payments in Seven Major Countries", *Reexamining European Manpower Policies*, Special Report No. 10, August 1976, pages 179-182.
[34] Paul Fisher, *Op.Cit.*, page 8.

Available evidence shows that the use of STC in Germany has prevented major income loss among those who would have otherwise been laid off while maintaining the incomes of other workers at levels reasonably close to that of full-time employment. Data show that some 90 percent of German recipients do not have their STC payments limited by the maximum benefit ceiling; and among this large sub-group of participants take-home incomes are almost always maintained at 80 to 90 percent of regular full-time earnings,[36] depending on the extent of work time reduction.

Firms participating in the program are required to assume the full costs of public health insurance and retirement programs, which are otherwise split evenly between employer and employee. However, the government will, on occation, reimburse firms for up to 50 percent of the cost of health insurance and 75 percent of the cost of retirement programs.[37] In some cases, curtailment of full private fringe benefits which are related to pay levels may occur, but such reductions are commonly minor.

The maximum duration of benefits is six months, but it is possible to apply for extensions of up to one year and a 1978 amendment further liberalized maximum extensions to as much as two years.[39]

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35. Ibid, page 4.
36. Ibid, page 17.

37. Ibid, pages 5 and 8.
38. Ibid, page 6.
39. Ibid, page 4; and Sar Levitan and Richard Beleous, Op.Cit., page 62.

While the extent and duration of work time reductions under the German STC program varies, a "rule of thumb" generalization is that most beneficiaries had their work time shortened by about 40 percent and that duration has been under 3 months for most participants. Between 1972 and 1977, some 92 percent of beneficiaries suffered a loss of work time of under 50 percent of standard hours, and 57 percent experienced a work time loss of less than 25 percent. Between June 1977 and June 1978, 56 percent of participating workers received benefits for under 3 months and only 6 percent received benefits for periods lasting longer than 1 year.[40]

Utilization of short-time compensation varies markedly with the business cycle, particularly during the early stages of an economic down turn when firms are not sure whether dismissals and long-term layoffs are necessary. This pattern is empirically dramatized by the rapid upsurge of STC utilization in the beginning of the 1975 recession, followed by a decline in use despite the fact that unemployment levels did not fall appreciably (See Table 5).[41]

It has been hypothesized that the rapid rise in the use of STC during 1975 was largely due to a German labor and codetermination law protecting workers against the loss of jobs by requiring advance notices of aly offs and consent of worker councils and labor courts. However, the law recognizes that

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[40] Ibid, pages 15-16.

[41] Gunther Schmid, "Selective Employment Policy in West Germany: Some Evidence of Its Development and Impact", Discussion Paper Series, International Institute of Management, Berlin, West Germany, July 1978, page 14.

Table 5

ANNUAL AVERAGES OF UNEMPLOYMENT
AND SHORT-TIME COMPENSATION, GERMANY, 1968-1977

Year	Registered Short-Time (000's)	Registered Unemployment (000's)	Unemployment Rate (Percent)
1968	10	323	1.3
1969	1	179	.7
1970	10	149	.6
1971	86	185	.7
1972	76	246	.9
1973	44	273	1.0
1974	292	582	2.2
1975	773	1,074	4.7
1976	277	1,060	4.6
1977	231	1,030	4.5
1978*	250	1,000	-

SOURCE: Annual Report for 1976, Bundesantap Fur Arbeit, Republic of West Germany, pages 8 and 65; and Arbeits-und Sozialstatistik, Federal Minstery of Labor and Social Affairs, Republic of West Germany, March 1978. Data for 1977 and 1978 cited from Gunther Schmid, "Selective Employment Policy in West Germany: Some Evidence of Its Development and Impact", Discussion Paper Series, International Institute of Management, Berlin, July 1978, page 14.

* 1978 figures are provisional

NOTE: Unemployment figures are based on the number of registrations at government Employment Service Offices. It is estimated that about 75 percent of the unemployed workers in West Germany register. Unemployment rates are computed on the basis of registered unemployment figures.

economic considerations may necessitate individual and mass dismissals. Thus the imminent danger of widespread bankruptcy ultimately nullified most obstacles to mass discharge, and many firms laid off workers once legal restraints were relaxed.

Ninety-five percent of all German workers receiving short-time payments are found in manufacturing, mining and construction (See Table 6). Within this industrial sector, payment of short-time benefits for shorter working hours is most widely used in all stages of the fabrication of metal products, ranging from the mining of iron and coal to the production of steel, machinery, automobiles and ships. Electrical products, textiles and construction industries follow in that order.

In contrast to the California program, between one-third and one-half of all workers receiving STC benefits were employed in large firms with more than 500 workers. Nonetheless, employers with more than 500 employees represented only 5.5 percent of the total number of firms using STC in 1978. Thus, while the average number of employees in participating firms was 63, it appears that a very small but growing proportion of large firms provide a significant part of the individual STC beneficiaries.

The widespread use of German STC has led observers to conclude that the program has significantly attenuated unemployment. One study has estimated that the use of STC reduced full-time unemployment by approximately 175,000 in 1975, and some 52,000 in 1977 (See Table 7).[43] Thus, some observers claim that full-time unemployment would have been one-sixth higher

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[42] Paul Fisher, Op.Cit., page 10.
[43] Gunther Schmid, Op.Cit., page 14.

Table 6

SHORT-TIME WORKERS AND RATE OF SHORT-TIME WORK BY INDUSTRY, GERMANY, 1973-1977

Industry	Number of Workers on Short-Time Per Year					Percent of Labor Force on Short-Time					Average Percent of Labor Force on Short-Time
	1973	1974	1975	1976	1977	1973[2]	1974[2]	1975[2]	1976	1977	1973-1975
Energy, Mining	78[1]	29[1]	2,431[1]	30,325[1]	24,613[1]	0.02	0.01	0.49	6.07	5.03	2.33
Construction industry	316	8,513	31,027	11,334	8,684	0.02	0.52	1.90	0.69	0.55	0.74
Other industries	2,306	20,237	32,455	11,164	12,063	0.03	0.28	0.45	0.16	0.17	0.22
Manufacturing	41,010	263,624	707,421	224,185	185,969	0.49	3.13	8.39	2.66	2.19	3.37
Total	43,710	292,403	773,334	277,008	231,329	0.25	1.65	4.37	1.56	1.31	1.83

1) Excluding energy

2) Based on dependent workers obliged to social insurance contributions

SOURCE: Gunther Schmid, "Selective Employment Policies in West Germany: Some Evidence of Its Development and Impact", Discussion Paper Series, International Institute of Management, Berlin, West Germany, July 1978, page 34.

Table 7

ESTIMATED IMPACT OF SHORT-TIME ON
WORK-TIME AND UNEMPLOYMENT, GERMANY, 1973-1977

Year	Registered Short-Time (000's)	Reduction of Full Time Equivalent Work Time (000's FTE)	Reduction of FTE Unemployment due to Short-Time (000's FTE)
1973	44	16	11
1974	293	106	70
1975	773	272	175
1976	277	90	60
1977	231	77	52
1978*	250	84	56

SOURCE: Mitteilungen aus der Arbeitsmarket-und Berufsforschung ("The Development of the Labor Market in the Federal Republic of Germany in 1977"), No. 1, 1977, page 8. (Interpretation of data provided by Beatrice Reubens, Conservation of Human Resources, Columbia University, New York.). Data for 1977 and 1978 cited from Gunther Schmid, "Selective Employment Policy in West Germany: Some Evidence of Its Development and Impact", International Institute of Management, Berlin, Discussion Paper Series, July 1978, page 14.

* 1978 figures are provisional

without use of short-time in 1975, and one-twentieth higher in 1977.

Despite general agreement that STC effectively prevents layoffs, the available data leaves a number of ambiguities concerning its job saving effects. It has been noted that the aggregate work time reductions measured for the work force have been significantly greater than the estimated reductions of full-time unemployment resulting from use of short-time compensation (See Table 7). Most analysts suggest that this difference comes primarily from a "silent reserve" (Stille Reserve) of employees on reduced work time who do not or cannot claim short-time benefits,[44] but this phenomenon is yet to be fully explained.

Despite generally laudatory reports from European representatives of labor, business and government about the value of short-time programs,[45] a number of reservations have been expressed about the applicability of the concept in the United States. It has been noted that different levels of labor market competition would make the program far less attractive to U.S. firms. Further, European legal constraints on layoffs,mmost particularly those in Germany, are likely to make short-time compensation far more acceptable abroad. Further still, large portions of European fringe benefits are administered by the government, thus reducing fixed cost of labor barriers which likely deter U.S. firms from participation. Finally, the maximum benefit ceiling for the German STC program is considerably higher than most American ceilings.[46] This difference is assumed to reduce opposition from senior employees in Germany to a much greater degree than would be likely in the U.S.

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[44] *Ibid*, page 16.

[45] "Short-Time Compensation", *What's New in Labor and Social Policy*, Federal Republic of West Germany, Embassy to the United States, April-May 1976, page 7; and Kurt W. Rothschild, "Working Time and Unemployment", paper prepared for the National Commission for Employment Policy, University of Linz, Austria, presented July 19-21, 1978, pages 5-10.

Unanswered Questions and Future Prospects

While there are still many unanswered questions, available information suggests that the short-time compensation concept might be successfully applied within the United States. Certainly this program does not provide a comprehensive means of combating all types of unemployment. It can do little to help persons who are without work because they have just entered or re-entered the labor force. Nor is it likely to provide much assistance to those who have already been laid off for a period of time or voluntarily left their jobs. However, short-time compensation does have the potential to prevent full-time joblessness among the 3 to 5 million American workers subject to layoffs and who comprise about half of the unemployed population.[47]

Despite the potentials of short-time compensation, there are many reservations which must be dealt with prior to its widespread application in the United States. Many representatives of organized labor have expressed grave concern with, and sometimes outright opposition to, the concept. Foremost among the concerns expressed by union representatives has been the fear that use of STC would disrupt hard won seniority provisions and established union procedures. Particularly, it has been suggested that layoffs according to seniority are fair and that use of shorter workweeks as an alternative to layoffs would lead to wage losses among higher paid senior workers that would not be adequately replaced by short-time benefits. Additionally, there is concern that use of the program would stimulate work group conflicts leading to a reduction of union solidarity and bargaining power, present numerous administrative complications which would effectively prevent certain types of workers from receiving benefits, encourage firms to instigate greater aggregate work time reductions than would be the case under layoffs, and reduce political pressures for full employment.[48]

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[46] In Germany, maximum UI and STC benefits are determined annual to be 163 percent of average gross earnings for all insured workers, while the highest UI ceiling in the U.S. is a relatively low 67 percent of the average income of convered workers (Paul Fisher, *Op.Cit*., page 17).

[47] *1979 Employment and Training Report of the President*, page 274, Table A-27.

Members of the business community have also expressed concern that the program would ultimately be imposed on firms, encourage unions to push for shorter workweeks, and subsidize economically marginal firms at the expense of health firms. While these reservations are not unanimously expressed by all sectors and levels of labor and business,[49] they do represent important issues that must be resolved prior to acceptance of STC as a major social policy.

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[48] John Zalusky, Op.Cit.; Howard Young, "Comment on the Need for Work Time Reduction", Work Time and Employment, Op.Cit.; "A Cure for Unemployment", Business Week, October 29, 1979, pages 163-164; Peter Sadlier-Brown, Op.Cit., pages 16-17; and Fred Best, Gary Lefkowitz, Maureen McCarthy, Gail Rosenberg and Barry Stern, "Exploratory Survey on Short-Time Compensation", paper prepared for Office of Research and Development, Employment and Training Administration, U.S. Department of Labor, June 23, 1978.

[49] Fred Best, Gary Lefkowitz et al., Op.Cit.; "A Cure for Unemployment", Op.Cit., pages 163-164.

The future of short-time compensation within the United States will ultimately be determined by discussions among advocates and opponents as well as research and policy evaluation. The California "Shared Work Unemployment Compensation" Program is now under an intensive two-year evaluation sponsored by the California Employment Development Department and the U.S. Department of Labor.[50] The final analysis will be released at the end of 1981, but interim reports will be presented before that date. Such research, ongoing dialogue, and possible experimental programs in other states should shed light on the applicability of short-time compensation in the United States.

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50. "Proposal for Statewide Evaluation of the California "Shared Work Unemployment Compensation' Program", Shared Work UI Evaluation Unit, California Employment Development Department, Sacramento, California, September 25, 1979.

APPENDIX III

A. GENERAL INFORMATION

The Work Sharing Program was established by Senate Bill 1471, legislation signed into law July 11, 1978. SB 1471 added Section 1279.5 to the California Unemployment Insurance Code to allow the payment of work sharing unemployment insurance benefits to individuals who are employed less than their normal work hours or number of days in a week and who have earnings in excess of their weekly benefit amount. Employers may voluntarily participate in the Work Sharing Program as an alternative to layoffs or as a temporary, phased transition to layoffs.

To qualify for benefits under the Work Sharing (WS) Program, employees must be regularly employed by an employer whose plan to reduce employment and stabilize the work force has been approved by the Director of EDD. During the period for which benefits are payable, there must be (1) a reduction of the total hours worked among not less than 10% of the employer's regular permanent work force, and (2) a reduction of 10% or more in the individual claimant/employee's wages resulting from such reduced hours or days of work.

Employees involved in an employer's approved Work Sharing Program will be eligible to receive that percentage of their weekly benefit amount which equals the percentage of reduction in regular wages for that week. Any additional wages earned during the week (1) in the employment of another employer(s), or (2) in the employment of the regular employer, but in excess of the originally assigned reduced hours, will be deducted on a dollar-for-dollar basis. The earnings disregard provision (Section 1279) will not be applied to employees receiving Work Sharing benefits.

1. Duration

Senate Bill 210, signed into law September 7, 1979, amended Section 1279.5 to extend the Work Sharing Program until December 31, 1981. No benefits will be payable for any week after December 31, 1981.

No individual shall be paid any benefits under the Work Sharing Program in excess of 20 weeks (not including the waiting period week) during a period of 52 consecutive weeks, beginning with the first week of work sharing benefits paid. A week of total unemployment is not to be counted as a week of work sharing.

2. Restrictions

A claimant who receives any benefits under the Work Sharing Program during any benefit year shall not receive any benefits pursuant to Section 1252 or 1252.2 as a partially unemployed individual with respect to any week during such benefit year while in employment status with the employer who initiated the program of sharing work.

However, this does not prevent claimants from claiming benefits as *
partially unemployed individuals; when the employer-employee relation- N
ship is with an employer subsequent to the one who initiated a program E
of sharing work in which the claimant participated, the claimant may W
claim benefits as a partially unemployed individual. *

3. Waiting Period

As in the regular UI Program, a claimant must serve a one-week waiting period prior to receiving benefits. For the purposes of receiving benefits under this section, and the subsequent receipt of regular benefits, if any, the claimant will be deemed to have served this waiting period upon receipt of the first certification, even though he/she may have received wages in excess of his/her weekly benefit amount. REV

B. DEFINITIONS

Work Sharing Plan - A written voluntary plan of the employer approved by the Director of EDD to reduce unemployment by sharing the work remaining after a reduction in total hours of work. If a collective bargaining agreement is in force, the agreement of the bargaining agent is required.

Employer's Regular Work Force - The regular work force of the employer consists of full-time, part-time, intermittent and seasonal workers. Temporary workers are not included within this definition.

Originally Assigned Reduced Workweek - The reduced workweek assigned by the employer at the time the Work Sharing Plan was approved.

Originally Assigned Reduced Wage - The reduced wage assigned by the employer at the time the Work Sharing Plan was approved.

Affected Unit(s) - The total organization, or unit(s) thereof in which the employees are participating in a Work Sharing Plan. The employer will define the unit(s) affected.

Temporary Reduced Workweek - A reduction is considered temporary if it is *
not intended to be a transition to a layoff. Employees on a temporary
reduction must be able and available for full-time work, but they are not N
required to seek work.

Permanent Reduced Workweek - A reduction is considered permanent if it is E
expected to be a transition to a layoff. Employees on a permanent reduc- W
tion must be able and available for full-time work. In addition, they
must actively seek other work. *

C. EMPLOYER ELIGIBILITY AND APPROVAL OF EMPLOYER'S PLAN

1. Employer Eligibility

Participation by the employer in the Work Sharing Unemployment Insurance Compensation Benefit Program (WS) has the following requirements:

a. The employer may select any defined group of employees as "affected units" to participate in the Program (e.g., plants, shops, divisions, classes, etc.), or the employer may designate his/her total work force as affected.

b. The employer's plan must be in writing with the concurrence of a bargaining agent, if a collective bargaining agreement covering the affected unit(s), is in effect.

c. The employer must have at least 10% of his/her total employees, or at least 10% of the employees in the affected work unit(s) as defined by the employer, participating in the Work Sharing Program.

d. The plan must be submitted to and approved by the Director of EDD.

e. The plan submitted by the employer must be submitted on form DE 8686 (see H. FORMS SUPPLEMENT). REV

f. Benefits will not be paid for any week with an ending date that is prior to the effective date of the employer's plan. REV

2. Approval of Employer's Plan

a. Employers may obtain a Work Sharing Unemployment Insurance Benefit Plan, DE 8686, by writing to the Work Sharing Program Supervisor, Unemployment Insurance Division, MIC 40, EDD, 800 Capitol Mall, Sacramento, CA 95814, or calling the Work Sharing Program Supervisor at (916) 445-8932. NEW

Employer plans are to be submitted to Chief, Unemployment Insurance Division, MIC 40, Employment Development Department, 800 Capitol Mall, Sacramento, CA 95814. REV

(1) Upon approval, a supply of weekly certification cards (DE 8687, Work Sharing Certification) will be sent to employers for distribution to Work Sharing employees. These cards, filled out by both the employer and the employee, are to be presented to the field office by the employee and will constitute both notice of approval of that employer's plan and a claim for benefits. The field office will then initiate claims or payment action as necessary.

(2) If disapproved, the employer will be notified in writing as to the reasons for disapproval.

D. EMPLOYER CHARGES

Any employer who elects to participate in the Work Sharing Program and has a negative reserve account on any June 30, and whose reserve account has been charged for WS benefits in the prior year, would be required to pay into the Unemployment Insurance Fund an additional contribution from 0.5% to 3.0%. An employer with a positive reserve account would have his/her reserve account charged in the usual manner. A reimbursable employer will be required to reimburse the Unemployment Insurance Fund for the cost of benefits paid.

E. CLAIMANT ELIGIBILITY

For the purposes of Section 1279.5, the individual is considered eligible for waiting period credit or benefits in any week if: REV

1. The claimant has a valid parent claim, and
2. His/her employer's Work Sharing Plan has been approved by the Director of EDD, and
3. He/she worked for his/her regular employer less than his/her normal hours in a week and had a corresponding reduction in wages of 10% or more, and
4. He/she is able and available each day of the week, and
5. He/she is seeking employment as directed.
6. He/she performed some work for the WS employer during the week claimed. NEW

F. PROCESSING AND PAYING WORK SHARING (WS) CLAIMS

1. Claims For Initial Work Sharing (WS) Benefits Must Be Filed In Person
2. Filing Initial Work Sharing (WS) Claim Where There Is No Existing Claim
   a. Claimant reports to FO and must present "WS" card(s), DE 8687, Work Sharing Certification(s).
   b. Complete DE 1101 A in normal manner, except enter "WS" in red pencil on the DE 1101 A in the untitled block under Item "D" and check that block.
      (1) Determine BYB in the same manner as for a partial claim; i.e., the Sunday of the calendar week in which the first day of the payroll week falls.

Note: Credit may be given for a week of participation in the Work Sharing Program if at least 4 days of the employer's payroll week falls after the effective date of the claim. (An error notice will not be generated - Continued Claims Manual Section 1796, Item 6).

c. Using information obtained from the DE 8687, complete the following items on DE 1101 WS, Work Sharing Data Sheet:

(1) Full nine-digit SSA#.

(2) Name: First and middle initial and last name.

(3) Six-digit BYB date (MMDDYY).

(4) Three-digit FO#.

(5) Normal weekly wage prior to workweek reduction (Item 1 on DE 8687).

(6) Wage reduction: Percentage of originally assigned wage reduction rounded to nearest 10% (Item 1 on DE 8687).

(7) Reduction of workweek: Percentage of originally assigned workweek reduction rounded to nearest 10% (Item 1 on DE 8687).

(8) Seven-digit Employer Account No. (Three digits followed by four digits.) Do not include Branch Code.

(9) Leave blank. (Used to correct SSA#. See paragraph 7, Other FO Actions.) REV

(10) Claimant's original employment time base: Full-time, part-time, intermittent, seasonal (Item 2 on DE 8687).

(a) For employers using the DE 8687 prior to Rev. 1, interviewers must obtain this information from the claimant.

(11) Check New Claim block.

(12) - (16) Leave blank.

(17) Leave blank (used to correct BYB, see paragraph 7, Other FO Actions). REV

d. Affected field offices will be notified when an employer's Work Sharing Program plan is approved. The notification will include:

(1) Employer name and address.

(2) Employer account number.

(3) A list of approved employee participants with:

- (a) SSA
- (b) Name
- (c) Percentage reduction of wages

(4) Whether planned reduction is permanent or temporary. If temporary, the anticipated duration in weeks will be indicated.

e. If reduction is permanent, issue appropriate seek work plan "A", "A/B" or "B" and give seek-work instructions. On DE 1101 J, in "Seek-Work Plan" block, post "20 weeks approved". NEW

f. If reduction is temporary:

(1) Issue DE 4681 C, #5 plan.

(2) On DE 1101 J in "Seek-Work Plan" block, post number of approved weeks claimant may certify for benefits.

(3) If claimant still certifying under the Work Sharing Program when number of approved weeks is reached, notify state Work Sharing Program Supervisor in CO at (916) 445-8932 (ATSS: 485-8932).

g. If it appears the actual duration may exceed the anticipated duration, CO will contact the employer and redetermine the status. Affected regional and field offices will be notified of the outcome. If the plan is changed to "permanent" issue an "A", "B" or "A" and "B" seek work plan and instructions as appropriate. If not, leave the C-5 plan in effect and move the flag to the appropriate grid space.

h. Complete DE 1101 J in normal manner. In addition:

(1) Enter "WS" in red pencil along with the percentage of the original wage reduction in Seek-Work Plan block.

(2) Place black color code tape on the upper edge of the jacket in the space between blocks "8 - 9" and "0" to identify claim as a "WS" claim.

i. Routing:

(1) For WS filed as a new claim, staple DE 1101 WS behind DE 1101 A and route to Data Processing in DP package. NEW

(2) For initial WS filed on an existing claim, batch DE 1101 WS separately from AC DE 1101 A. Route DE 1101 WS to Data Processing in DP package. Batch and route AC DE 1101 to CO with regular UI AC DE 1101's. N E W

3. Filing For Initial WS Benefits on Existing Claim

a. When a claimant reports with a WS certification (DE 8687) for the first time and an existing valid claim is on file, follow the same procedure as for a DE 2063 partial card. In addition, complete a DE 1101 WS, Work Sharing Data Sheet. Refer to F.2.c. for instructions on how to complete a DE 1101 WS. Also, on the DE 1101 WS, complete Items 11 through 16 as follows: REV

(11) Check Additional Claim block.

(12) Leave blank.

(13) Year of birth.

(14) Sex.

(15) Occ. Code - Enter Fourth Edition, 6-digit Occupational Code for SSA's ending in "0" and "5".

(16) Enter appropriate race code.

b. Refer to F.2.e.6f. for instructions on how to assign an appropriate Seek Work Plan. REV

c. On DE 1101 J, Claim Jacket, in Seek-Work Plan block, post "WS" in red pencil along with the percentage of the original wage reduction and place black color code tape on the upper edge of the jacket in the space between Blocks "8-9" and "0" to identify the claim as a "WS" claim.

d. Refer to F.,2.i., for routing instructions. REV

4. Work Sharing (WS) Payments

a. If waiting period has not been served, use week ending date on DE 8687, WS certification as the week of the waiting period. Prepare DE 8007 with lever "6" set at "2" and lever "7" (entry code) set at "0". REV

b. If claimant is otherwise eligible, prepare separate 6306 for each week claimant is to be paid.

c. To identify "WS" claims actions, all 8007's and 6306's shall be imprinted with lever "6" set at "2". Do not enter earnings. All other lever settings shall be set in the usual manner. N E W

For each "WS" payment issued, post DE 1101 J in the lower right-hand corner of the "AC or Amount" column. Write "WS" and the number of "WS" payments issued to date so that payments are not issued in excess of the number of weeks approved. Posting of the number of weeks approved should be in the "Seek-Work Plan" block of DE 1101 J. In addition, no more than 20 weeks of "WS" payments shall be issued during a 52 consecutive week period, starting with the first week of "WS" payments issued. NEW

d. Prior to making subsequent payments, check to ensure that the week ending date on the DE 8687, Work Sharing Certification, is at least seven days later than prior DE 8687's and that the employer consistently uses the same payroll week. REV

   (1) If the employer has a weekly or biweekly payroll period, use the employer's payroll week ending date.

   (2) If the employer has other than a weekly or biweekly payroll period, use the Sunday through Saturday calendar period for the payroll week ending date.

      (a) Employers who have such payroll periods have been instructed to report the percentage of reduced hours and wage reduction on a Sunday through Saturday payroll period.

e. To determine the percentage used to compute the amount to be paid, use the percentage of wage reduction (Item 1 on DE 8687) rounded to the nearest 10%. For example, if percentage of wage reduction is shown as 15%, round to 20%. If percentage is shown as 14%, round to 10%. REV

   (1) If percentage of wage reduction differs from the percentage of hours reduction in Item 1 on DE 8687, use the percentage of wage reduction to determine the amount to be paid.

f. If the computed amount to be paid is not an even dollar increment, round the "odd cents" to the next highest dollar. For example, the computed amount is $20.25, make payment in the amount of $21. REV

g. Use regular UI criteria to determine if vacation and/or holiday pay is wages for UI purposes.

   If vacation/holiday pay is allocable to a week of work sharing, wages in excess of the originally assigned reduced wages must be reduced from the new benefit award on a dollar-to-dollar basis. NEW

Note: If claimant receives vacation/holiday pay for a week in which no work is performed, it is not considered a week of work sharing. Complete a DE 1101 to convert the claim to regular UI and determine eligibility under Sections 1252 or 1279 and 1253(c). Refer to paragraph 5, Additional Claim Procedures. NEW

h. If the claimant is ill during a scheduled or nonscheduled workday of the week and does not receive sick leave pay, benefits payable will be reduced by one-seventh of the benefits payable under the Work Sharing Program (Section 1253.5). REV

If the claimant is ill during the week and the employer does provide sick leave pay, do not apply Section 1253.5. Instead, consider the sick leave pay as wages and allocate wages to the period when sick. Any wages in excess of the originally assigned reduced wages must be reduced from the new benefit award on a dollar-for-dollar basis. REV

i. Automatic short week benefits paid by a company pursuant to a union contract constitute wages under Section 1252. However, payments received pursuant to Section 1265 are not wages for purposes of this Section (1279.5).

j. Work Sharing benefits are not payable to an individual who claims benefits under a Fed-ED or Cal-ED claim. REV

k. Should a claimant drawing benefits under the Work Sharing Program refuse to return to full-time work, preferring instead to remain on the short workweek and his/her employment is not terminated, an issue under Sections 1257(b) and 1253(c) is present and his/her eligibility should be determined on that basis. REV

l. The following are some examples of how to determine the amount payable for a claimant whose original Work Sharing Plan calls for a 20% reduction of the workweek with a corresponding 20% reduction in wages. The claimant's weekly wages have been reduced from $200 to $160. Claimant's WBA is $80.

(1) To determine the amount payable, multiply the percentage of wage reduction (20%) times the claimant's WBA ($80).
.20 X $80 = $16 = amount payable.

Note: Section I., Work Share Benefit Table, pages 23-26, may be used to determine the amount payable when the WBA and percentage of wage and hour reduction is known. NEW

(2) Given the same circumstances as 1. above, except the employer reduced the claimant's employment more than the original Work Sharing Plan agreement - instead of a 20% reduction, the employer completed the weekly certification form, DE 8687, question number 4, and showed a higher reduction that week, such as 30%. To determine the amount payable, multiply the percentage of wage reduction shown on DE 8687, item 4, 30%, times the claimant's WBA, $80.
.30 X $80 = $24 = amount payable.

(3) Given the same set of circumstances as 1 above, except, for this week, claimant had a reduction in wages of only 10%, from $200 to $180. Since the claimant's originally assigned Work Sharing Plan called for a 20% reduction in wages, the amount of earnings in excess of the original wage reduction must be deducted dollar for dollar. To determine the amount payable:

(a) Multiply the original percentage of wage reduction (20%) times the WBA ($80). Reduce the WS WBA, dollar for dollar by the excess weekly earnings reported in Item 3 of DE 8687. In the following example, no benefits would be payable.
.20 X $80 = $16 WS WBA
$20 Excess wages reported in Item 3 of DE 8687. REV
$16 - $20 = - $4 = OBA

(4) Given the same set of circumstances as 1. above, except claimant on his/her day off worked for another employer and earned $10. Any and all compensation for personal services performed for other than the regular employer are deducted dollar for dollar. The "wage disregard" does not apply to payments made under Section 1279.5. To determine the amount payable: REV

(a) Multiply the original percentage of the wage reduction (20%) times the WBA ($80). Then substract the amount earned ($10) from this amount.
.20 X $80 = $16 - $10 = $6 = amount payable.

(5) Given the same set of circumstances as 1. above, except claimant was sick one day of the week and Section 1253.5 applies. To determine the amount payable:

(a) Multiply the original percentage of wage reduction (20%) times the WBA ($80). Then multiply this amount times one-seventh for each day the claimant was able to work. This amount should be rounded to the next highest dollar.
.20 X $80 = $16 x 6/7 = $14 = amount payable.

(6) Given the same set of circumstances as 1. above, except claimant on his/her day off worked for another employer and earned $10. Also, claimant was sick one day of the week with wages reduced accordingly (30% reduction) and Section 1253.5 applies (see h. above). To determine the amount payable: REV

(a) Multiply the original percentage of wage reduction times the WBA ($80). Next, subtract the amount earned ($10) from this amount. Then multiply the new computed amount times one-seventh for each day claimant was able to work. .20 X $80 = $16 - $10 = $6 X 6/7 = $6 = amount payable.

m. The following are examples of how to determine the amount payable for a claimant whose original Work Sharing Plan calls for a percentage of wage and hour reduction in increments other than an even 10%, and whose WBA is $77.

(1) Item 1 on DE 8687 shows a wage and hour reduction of 15%. To determine the amount to be paid, round the 15% to 20% and multiply the WBA ($77) by 20%.
$77 X .20 = $15.40 = $16.

(2) Item 1 on DE 8687 shows a wage and hour reduction of 13%. To determine the amount to be paid, round the 13% to 10% and multiply the WBA ($77) by 10%.
$77 X .10 = $7.70 = $8.

(3) Item 1 on DE 8687 shows a wage reduction of 15% and an hour reduction of 10%. To determine the amount payable, round the percentage of wage reduction (15%) to 20% and multiply the WBA ($77) by 20%.
$77 X .20 = $15.40 = $16.

5. Additional Claim Procedures

a. A claimant may file a work share additional claim when the following conditions exist:

(1) A DE 8687 is presented following a break in "WS" certification of one week or more.

(2) The claimant had intervening employment and did not claim benefits during the week(s) of employment.

N E W

Post AC date on DE 1101 J and issue any payments due.

Since there is no space designated on the DE 8687 for showing the last day worked and because this information is required for validation of an AC, it must be obtained from either the claimant or the employer. Pending revision of the DE 8687 for this data entry, obtain last day worked information and post "LDW date" on DE 8687 below "Item 7" on the side of the form that claimant completes.

Band DE 8687 to DE 1101 J and route to Stat clerk for a count.

b. If a claimant is unemployed a week or more after claiming work share benefits and wishes to claim regular unemployment insurance, a DE 1101 AC must be completed to convert the claim to regular unemployment insurance. No AC workload count may be taken for a DE 1101 prepared under these circumstances since there has not been a break in claiming. Regular UI procedures apply.

6. Transitional and Second Parent Claim Procedures

Use regular UI procedures to file a UI transitional or second parent claim. In addition:

a. Enter "WS" in red pencil on the DE 1101 A in the untitled block under Item "D" and check that block.

b. On DE 1101 J, in "Seek-Work Plan" block, enter "WS" in red pencil along with the percentage of the original wage reduction. Also post number of weeks approved to participate.

On DE 1101 J, in FO Notes, post "First week WS paid (week beginning date and number of WS weeks paid) on prior claim BYB (date) - 52 week period ends (date)".

For example:

> "First week WS paid 12/2/79 - 2 weeks on prior claim
> BYB 12/17/78 - 52 week period ends 11/29/80."

c. Place black color code tape on the upper edge of the jacket in the space between block "8 - 9" and "0" to identify claim as a "WS" claim.

d. Complete DE 1101 WS. Refer to F.2.c.

7. Other FO Actions

a. To correct erroneous information submitted on a prior DE 1101 WS, Work Sharing Data Sheet, complete the following blocks on a new DE 1101 WS:

(1) SSA # (as originally recorded)

(2) BYB (as originally recorded)

(3) Item to be corrected

(4) Check "Correction" block

(5) If error is in SSA or BYB:

(a) Enter correct nine-digit SSA in block #9.

(b) Enter correct six-digit BYB (MMDDYY) in block #17.

b. The field office will receive a DE 1616, "WS Flag", for all WS claims. Upon receipt of this flag, verify that the percent of the original assigned reduced workweek on the DE 1616 agrees with the notation on the 1101 J.

(1) If not in agreement, check the DE 8687, Work Sharing Certification, for the correct data.

(a) If DE 1616 is in error, make corrections in ink and initial. Prepare new DE 1101 WS.

(b) If posting on 1101 J is in error, correct accordingly.

c. File DE 1616 in front of all other documents in 1101 J.

d. Overpayments will be handled in the normal manner. REV

e. PER's should be scheduled as outlined in Management and Supervision FOM, Section 116.5, PER FREQUENCY SCHEDULE, except interviews should be scheduled on a day the claimant does not work. All interviews should be conducted in accordance with Section 1660 of the Eligibility Review FOM. REV

f. It may be to the advantage of the field office to appoint a WS Specialist to process these claims. REV

G. DETERMINATIONS

Claimant eligibility for receipt of benefits under the Work Sharing Program will be determined in accordance with usual departmental policy and procedure, except as provided herein.

DE 1545's will be triggered with the first payment of benefits. They shall be handled in the usual manner.

Issues such as VQ, MC, SW, A&A, FS, etc., should be handled and treated in the usual manner and the appropriate UI Code section utilized. Other issues falling directly within the provisions of Section 1279.5 should be handled under the appropriate section as noted below and a stub count taken with the "Regs." block checked on the 2403. Following are sample statements to be used in the "Reason For Decision" space on the DE 1080.

1. Denial of WS Benefits - Employer Plan Not Approved

"You are not entitled to benefits under the provisions of Section 1279.5(a) because your employer's Work Sharing Plan has not been approved."

Record on 2403 and take Regs. stub count. Effective date of disqualification will be the week in which the claimant initially requests benefits. The disqualification for WS benefits would be on an indefinite basis and ending "when the disqualifying conditions no longer exist."

2. WS Benefits Denied - Wage Reduction Less Than 10%

"You are not entitled to benefits under the Work Sharing Program because your reduction in hours and corresponding wages is less than 10%, as required by Section 1279.5(a) of the UI Code."

Record on 2403 and take Regs. stub count. Send copy of DE 1080 to employer. See example "1" for additional instructions.

3. Denial of Payment of WS Benefits - More Than 20 Weeks

"You are not entitled to any further benefits under the Work Sharing Program because you have received payment of benefits for 20 weeks under this Program. Section 1279.5(c) provides for a maximum of 20 weeks of benefits during a period of 52 consecutive weeks, beginning with the first week of work sharing benefits paid." REV

Record on 2403 and take Regs. stub count. On DE 1080, in CLAIMANT section, post only "Section 1279.5(c)". Post on 1101 J, "WS (effective date) denied". Send copy of DE 1080 to employer.

4. Denial of WS Benefits - Claimant on Fed-ED or Cal-ED Claim

"You are not entitled to benefits under the Work Sharing Program, because you are currently on Federal Extended or California Extended claim (specify type of claim). Section 1279.5(c) prohibits the payment of work sharing benefits during an individual's extended duration period or extended benefit period."

Record on 2403 and take Regs. stub count. Effective date of disqualification would be the week in which claimant requests WS benefits. Post on 1101 J, "WS (effective date) denied".

5. **Denial of WS Payment - Participation of Employer's Work Force Less Than 10%**

"Your request for payment of benefits under the Work Sharing Program is denied, because your employer's work force participating in the Work Sharing Program is less than 10%, as required by Section 1279.5(b)."

Record on 2403 and take Regs. stub count. Send copy of DE 1080 to employer. See example "1" for additional posting instructions.

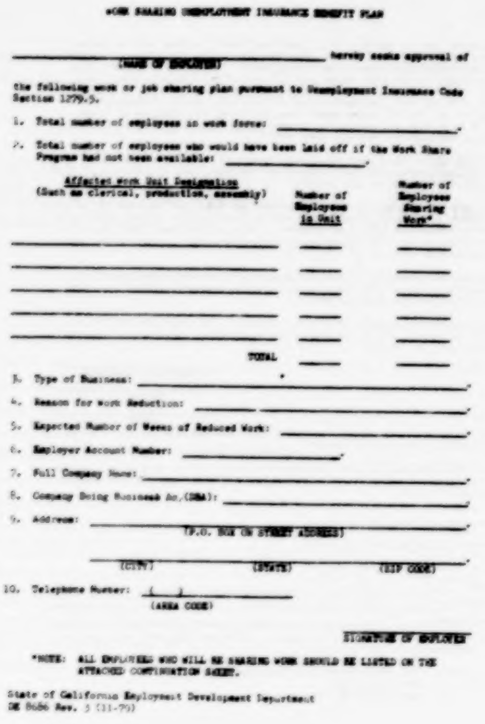
NOTE: If a claimant working for a nonparticipating employer wishes to file a claim for Work Sharing benefits, or is working for an approved participating employer but is not in an affected unit and wishes to file a claim for benefits under this Program, process the claim and deny benefits pursuant to Sections 1252, if fully employed, and 1279.5.

6. **Denial of Partial Benefits - Prior Receipt of WS Benefits Within Same Benefit Year**

"You are not entitled to benefits as a 'partially unemployed individual' as you have previously received Work Sharing benefits during the current benefit year. Section 1279.5(c) precludes the payment of benefits pursuant to Sections 1252 and 1252.2 as a partially unemployed individual with respect to any week during such benefit year while in employment status with the employer who initiated the program of sharing work." N E W

Record on 2403 and take Regs. stub count.

H. FORMS SUPPLEMENT



WORK SHARING UNEMPLOYMENT INSURANCE BENEFIT PLAN

____________________ hereby seeks approval of
(NAME OF EMPLOYER)

the following work or job sharing plan pursuant to Unemployment Insurance Code Section 1279.5.

1. Total number of employees in work force: ____________.
2. Total number of employees who would have been laid off if the Work Share Program had not been available: ____________.

Affected Work Unit Designation (Such as clerical, production, assembly)	Number of Employees in Unit	Number of Employees Sharing Work*
TOTAL		

3. Type of Business: ____________.
4. Reason for Work Reduction: ____________.
5. Expected Number of Weeks of Reduced Work: ____________.
6. Employer Account Number: ____________.
7. Full Company Name: ____________.
8. Company Doing Business As (DBA): ____________.
9. Address: ____________.
(P.O. BOX OR STREET ADDRESS)
____________.
(CITY) (STATE) (ZIP CODE)
10. Telephone Number: ( ) ____________
(AREA CODE)

____
SIGNATURE OF EMPLOYER

*NOTE: ALL EMPLOYEES WHO WILL BE SHARING WORK SHOULD BE LISTED ON THE ATTACHED CONTINUATION SHEET.

State of California Employment Development Department
DE 8686 Rev. 3 (11-79)

NOTE: This form is not available for FO use. The Work Share Program supervisor in Central Office, Sacramento, is responsible for issuing Work Sharing Unemployment Insurance Benefit Plan, form DE 8686, to employers.

H. FORMS SUPPLEMENT

We understand that an employer with a positive reserve balance will be charged in the usual manner for benefits paid under this program and that those charges may change our contribution rate in succeeding years. Reimbursable employers will also be charged in the usual manner for the cost of benefits paid under this program. We also understand that an employer with a negative reserve balance on June 30 of any year, who participates in this work sharing program will be required to pay into the Unemployment Fund additional contributions at a rate from 0.5% to 3.0% in the succeeding calendar years pursuant to Section 978.5(a), California Unemployment Insurance Code (CUIC).

We will provide the Employment Development Department with the percentage of hours or days of work reduced for each employee and the percentage of reduction of wages as a result of this shared work program.

Section 1279.5(c) of the CUIC provides that an individual who receives any benefits under Section 1279.5 during any benefit year is ineligible to receive benefits as a partially unemployed individual pursuant to Sections 1252 and 1252.3 while in employment status with the regular employer who initiated a program of work sharing under Section 1279.5.

The worksharing legislation allows the payment of work share unemployment insurance benefits up to 20 weeks during a period of 52 consecutive weeks, beginning with the first week benefits are paid.

We have provided the information on both this and the attached form so that our employees may participate in the shared work unemployment compensation benefit program, in lieu of layoff.

____
(SIGNATURE OF EMPLOYER)

____
(TITLE)

____
(DATE)

Are any of the employees who will participate in this Work Sharing Plan covered by a collective bargaining agreement? ______________________________

If any of the employees who will participate in this plan are covered by a collective bargaining agreement, the collective bargaining agent must sign and complete the information below:

____
(BARGAINING AGENT)

____
(TITLE)

____
(DATE)

Union Name ______________________________

Local Number ______________________________

Telephone Number ______________________________

If you desire to participate in this program, return the completed plan with the list of employees attached, to:

Chief, Unemployment Insurance Division, MIC 40
Employment Development Department
800 Capitol Mall
Sacramento, CA 95814

H. FORMS SUPPLEMENT

Full Employer Name: ______________________________

Account Number: ____________________

EMPLOYEES SHARING WORK

NAME	SSA #	% OF HOURS AND WAGE REDUCTION
1. ________	________	____
2. ________	________	____
3. ________	________	____
4. ________	________	____
5. ________	________	____
6. ________	________	____
7. ________	________	____
8. ________	________	____
9. ________	________	____
10. ________	________	____
11. ________	________	____
12. ________	________	____
13. ________	________	____
14. ________	________	____
15. ________	________	____
16. ________	________	____
17. ________	________	____
18. ________	________	____
19. ________	________	____
20. ________	________	____
21. ________	________	____
22. ________	________	____

DE 8686 Rev. 5 (11-79) (cont.)

Page ____ of ____

II. FORMS SUPPLEMENT

SOCIAL SECURITY ACCOUNT NO. – –	FIRST NAME	INITIAL	LAST NAME	

EMPLOYER'S STATEMENT

These questions and your answers are for the payroll week ending ______________

NOTE EMPLOYER: If your payroll period is other than a weekly or biweekly period, you must report the percentage of reduced hours and wage reduction on a calendar week beginning Sunday and ending Saturday.

1. Under this company's Work Sharing Plan, the employee's regular week was reduced from ____ hours to ____ hours for a reduction of ____ %. There was a corresponding percentage of wage reduction from $ _____ to $ _____ for a reduction of ____ %. This question is always to be answered in accordance with the original agreement.

2. This employee worked in accordance with the terms of the approved Work Sharing Plan for the above payroll week ending period. ☐ Yes ☐ No

(If Item 2 is Yes, DO NOT complete Items 3 or 4. If No, please complete 3 or 4 below.)

3. For the above payroll week ending period, this employee worked more than the originally assigned reduced workweek. The additional gross earnings (before deductions) were $ ________ .

4. For the above payroll week ending period, this employee worked less than the originally assigned reduced workweek with a corresponding reduction in wages from $ _____ to $ _____ for a reduction of _____ %.

The reason for reduction: ______________

I certify that I meet the continuing eligibility requirements for participation in the Work Sharing Program and the above information is true and correct to the best of my knowledge.

Name of Employer ______________

DBA ______________

Employer Acct. No. ______________

Address ______________

City and Zip Code ______________

Employer's Signature ______________

Title ______________

Date issued to employee ______________
(Must be later than payroll weekending date at top of the form)

CLAIMANT COMPLETE OTHER SIDE

DE 8687 Rev. 1 (8-79) Work Sharing Certification

H. FORMS SUPPLEMENT

CLAIMANT – YOU MUST COMPLETE THIS SIDE

These questions and your answers are for the week ending date shown on the other side of this form.

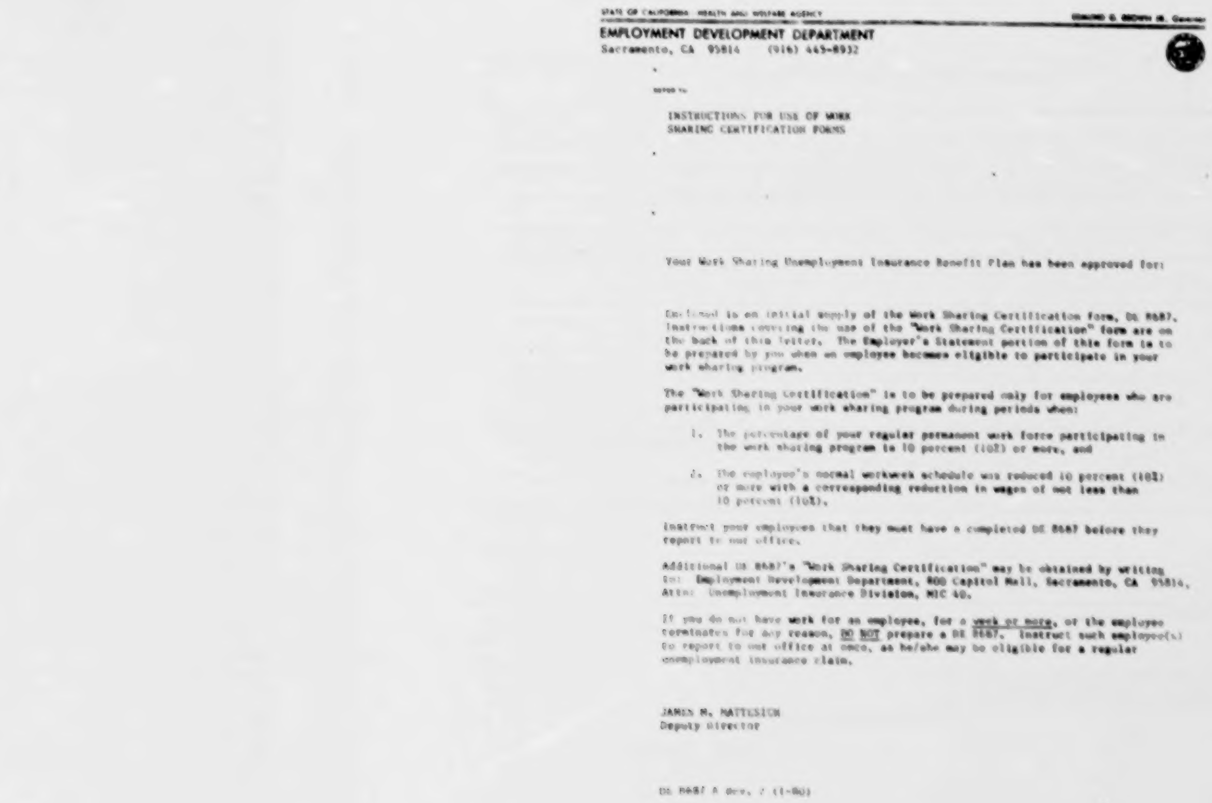
1. Were you physically able to work full time each day of that week? .... ______
2. Was there any other reason you could not have worked full time each regular workday that week? .... ______
3. Did any person in this office or anywhere else offer you a referral to a job that week? .... ______
4. Was any work offered you that week? .... ______
5. Did you try to find work for yourself that week? .... ______
6. Did you work for anyone other than your regular employer on any day in that week? (This includes self-employment.) If answer is YES .... ______
   a. What is that employer's name? ______
   ______
   b. How much did you earn there, before deductions, whether you have been paid or not? $ ______
   c. Why did you leave that work? ______
   (If you are still working, write "Still Working")
7. Your address ______
   ______

This information is true and correct to the best of my knowledge and belief. I understand that the law provides for a fine and/or imprisonment for making false statements or withholding facts to receive benefits.

______
Your Signature

Note: This certification form must be presented to an Employment Development Department office within 28 days after the date issued to employee.

H. FORMS SUPPLEMENT



STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY
EDMUND G. BROWN JR., Governor

EMPLOYMENT DEVELOPMENT DEPARTMENT
Sacramento, CA 95814 (916) 445-8932

REFER TO:

INSTRUCTIONS FOR USE OF WORK
SHARING CERTIFICATION FORMS

Your Work Sharing Unemployment Insurance Benefit Plan has been approved for:

Enclosed is an initial supply of the Work Sharing Certification form, DE 8687. Instructions covering the use of the "Work Sharing Certification" form are on the back of this letter. The Employer's Statement portion of this form is to be prepared by you when an employee becomes eligible to participate in your work sharing program.

The "Work Sharing Certification" is to be prepared only for employees who are participating in your work sharing program during periods when:

1. The percentage of your regular permanent work force participating in the work sharing program is 10 percent (10%) or more, and

2. The employee's normal workweek schedule was reduced 10 percent (10%) or more with a corresponding reduction in wages of not less than 10 percent (10%).

Instruct your employees that they must have a completed DE 8687 before they report to our office.

Additional DE 8687's "Work Sharing Certification" may be obtained by writing to: Employment Development Department, 800 Capitol Mall, Sacramento, CA 95814, Attn: Unemployment Insurance Division, MIC 40.

If you do not have work for an employee, for a week or more, or the employee terminates for any reason, DO NOT prepare a DE 8687. Instruct such employee(s) to report to our office at once, as he/she may be eligible for a regular unemployment insurance claim.

JAMES M. MATTESICH
Deputy Director

DE 8687 A Rev. 2 (1-80)

N. FORMS SUPPLEMENT

INSTRUCTIONS FOR COMPLETING "WORK SHARING CERTIFICATION" (DE 8687)

Complete a "Work Sharing Certification" (DE 8687), only for employees who are regularly employed by you and who are participating in your approved work sharing program.

1. Issue a DE 8687 only for the seven consecutive day period corresponding to your payroll week. DO NOT issue this form prior to week ending date.

   Note: If your payroll period is other than a weekly or biweekly period, the information you submit must pertain to a specific seven day period beginning Sunday and ending Saturday.

2. Enter employee's social security number and full name.

3. Complete Items 1 thru 4 under "Employer's Statement".

   a. Item 1 refers to the amount and percentage of the reduced workweek and the amount and percentage of the reduction in wages as assigned to the employee in accordance with the approved work sharing plan. It is very important that you provide this information to the Department (EDD) so we will be able to accurately compute the work sharing benefits payable to your employee.

   b. Item 2 refers to the week for which the employee is certifying for benefits.

   c. Item 3 refers to an employee who works more than his/her assigned reduced workweek and who has a corresponding increase in earnings. It is necessary to report those additional earnings because under this program, the amount of work sharing benefits payable must be reduced dollar for dollar by earnings in excess of the wages scheduled in the original plan.

   d. Item 4 refers to an employee who works less than his/her assigned reduced workweek and who may have a corresponding reduction in wages. The reason for working less than the originally reduced workweek may be due to a variety of reasons such as, lack of work or illness.

4. Complete employer certification, showing company name, employer account number, address, signature of employer or authorized representative, title, and date issued to employee.

5. Give DE 8687 to the employee to complete "Claimant's Statement" on the reverse of the form.

6. The employee should be advised to take the completed DE 8687 in person to the EDD claims office nearest his/her home. (This address may be obtained from the telephone book under, "California, State of, Employment Development Department.").

I. WORK SHARE BENEFIT TABLE

WEEKLY BENEFIT AMOUNT	PERCENTAGE OF WAGE AND HOUR REDUCTION *									
	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
	AMOUNT OF UNEMPLOYMENT INSURANCE PAYABLE ROUNDED OFF									
30	3	6	9	12	15	18	21	24	27	30
31	4	7	10	13	16	19	22	25	28	31
32	4	7	10	13	16	20	23	26	29	32
33	4	7	10	14	17	20	24	27	30	33
34	4	7	11	14	17	21	24	28	31	34
35	4	7	11	14	18	21	25	28	32	35
36	4	8	11	15	18	22	26	29	33	36
37	4	8	12	15	19	23	26	30	34	37
38	4	8	12	16	19	23	27	31	35	38
39	4	8	12	16	20	24	28	32	36	39
40	4	8	12	16	20	24	28	32	36	40
41	5	9	13	17	21	25	29	33	37	41
42	5	9	13	17	21	26	30	34	38	42
43	5	9	13	18	22	26	31	35	39	43
44	5	9	14	18	22	27	31	36	40	44
45	5	9	14	18	23	27	32	36	41	45
46	5	10	14	19	23	28	33	37	42	46
47	5	10	15	19	24	29	33	38	43	47
48	5	10	15	20	24	29	34	39	44	48
49	5	10	15	20	25	30	35	40	45	49
50	5	10	15	20	25	30	35	40	45	50
51	6	11	16	21	26	31	36	41	46	51
52	6	11	16	21	26	32	37	42	47	52
53	6	11	16	22	27	32	38	43	48	53
54	6	11	17	22	27	33	38	44	49	54
55	6	11	17	22	28	33	39	44	50	55
56	6	12	17	23	28	34	40	45	51	56
57	6	12	18	23	29	35	40	46	52	57
58	6	12	18	24	29	35	41	47	53	58
59	6	12	18	24	30	36	42	48	54	59

*Employer provides percentage of wage & hour reduction on DE 8687. If reported percentage is not in units of 10%, such as 14% or 28%, round off to nearest 10% (4% or less is rounded down and 5% or more is rounded up).

NEW

I. WORK SHARE BENEFIT TABLE

WEEKLY BENEFIT AMOUNT	PERCENTAGE OF WAGE AND HOUR REDUCTION *									
	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
	AMOUNT OF UNEMPLOYMENT INSURANCE PAYABLE ROUNDED OFF									
60	6	12	18	24	30	36	42	48	54	60
61	7	13	19	25	31	37	43	49	55	61
62	7	13	19	25	31	38	44	50	56	62
63	7	13	19	26	32	38	45	51	57	63
64	7	13	20	26	32	39	45	52	58	64
65	7	13	20	26	33	39	46	52	59	65
66	7	14	20	27	33	40	47	53	60	66
67	7	14	21	27	34	41	47	54	61	67
68	7	14	21	28	34	41	48	55	62	68
69	7	14	21	28	35	42	49	56	63	69
70	7	14	21	28	35	42	49	56	63	70
71	8	15	22	29	36	43	50	57	64	71
72	8	15	22	29	36	44	51	58	65	72
73	8	15	22	30	37	44	52	59	66	73
74	8	15	23	30	37	45	52	60	67	74
75	8	15	23	30	38	45	53	60	68	75
76	8	16	23	31	38	46	54	61	69	76
77	8	16	24	31	39	47	54	62	70	77
78	8	16	24	32	39	47	55	63	71	78
79	8	16	24	32	40	48	56	64	72	79
80	8	16	24	32	40	48	56	64	72	80
81	9	17	25	33	41	49	57	65	73	81
82	9	17	25	33	41	50	58	66	74	82
83	9	17	25	34	42	50	59	67	75	83
84	9	17	26	34	42	51	59	68	76	84
85	9	17	26	34	43	51	60	68	77	85
86	9	18	26	35	43	52	61	69	78	86
87	9	18	27	35	44	53	61	70	79	87
88	9	18	27	36	44	53	62	71	80	88
89	9	18	27	36	45	54	63	72	81	89

*Employer provides percentage of wage & hour reduction on DE 8687. If reported percentage is not in units of 10%, such as 14% or 28%, round off to nearest 10% (4% or less is rounded down and 5% or more is rounded up).

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WORK SHARING HANDBOOK

I. WORK SHARE BENEFIT TABLE

WEEKLY BENEFIT AMOUNT	PERCENTAGE OF WAGE AND HOUR REDUCTION*									
	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
	AMOUNT OF UNEMPLOYMENT INSURANCE PAYABLE ROUNDED OFF									
90	9	18	27	36	45	54	63	72	81	90
91	10	19	28	37	46	55	64	73	82	91
92	10	19	28	37	46	56	65	74	83	92
93	10	19	28	38	47	56	66	75	84	93
94	10	19	29	38	47	57	66	76	85	94
95	10	19	29	38	48	57	67	76	86	95
96	10	20	29	39	48	58	68	77	87	96
97	10	20	30	39	49	59	68	78	88	97
98	10	20	30	40	49	59	69	79	89	98
99	10	20	30	40	50	60	70	80	90	99
100	10	20	30	40	50	60	70	80	90	100
101	11	21	31	41	51	61	71	81	91	101
102	11	21	31	41	51	62	72	82	92	102
103	11	21	31	42	52	62	73	83	93	103
104	11	21	32	42	52	63	73	84	94	104
For new claims effective on or after January 6, 1980.										
105	11	21	32	42	53	63	74	84	95	105
106	11	22	32	43	53	64	75	85	96	106
107	11	22	33	43	54	65	75	86	97	107
108	11	22	33	44	54	65	76	87	98	108
109	11	22	33	44	55	66	77	88	99	109

*Employer provides percentage of wage & hour reduction on DE 8687. If reported percentage is not in units of 10%, such as 14% or 28%, round off to nearest 10% (4% or less is rounded down and 5% or more is rounded up).

NEW

I. WORK SHARE BENEFIT TABLE

WEEKLY BENEFIT AMOUNT	PERCENTAGE OF WAGE AND HOUR REDUCTION*									
	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
	AMOUNT OF UNEMPLOYMENT INSURANCE PAYABLE ROUNDED OFF									
110	11	22	33	44	55	66	77	88	99	110
111	12	23	34	45	56	67	78	89	100	111
112	12	23	34	45	56	68	79	90	101	112
113	12	23	34	46	57	68	80	91	102	113
114	12	23	35	46	57	69	80	92	103	114
115	12	23	35	46	58	69	81	92	104	115
116	12	24	35	47	58	70	82	93	105	116
117	12	24	36	47	59	71	82	94	106	117
118	12	24	36	48	59	71	83	95	107	118
119	12	24	36	48	60	72	84	96	108	119
120	12	24	36	48	60	72	84	96	108	120

N
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W

To make a Work Share Unemployment Insurance benefit payment, prepare a separate 6306 for each week claimant is to be paid and always set imprinter lever "6" at "2".

*Employer provides percentage of wage & hour reduction on DE 8687. If reported percentage is not in units of 10%, such as 14% or 28%, round off to nearest 10% (4% or less is rounded down and 5% or more is rounded up).

Mr. Greene. Let me say in conclusion I want to reinforce Mr. Best's remark relating to the mandatory maintenance of health and pension benefits. We have no evidence, and of course other States may have different experiences, but we have no evidence in California that these benefits are discontinued.

Because once again remember we are saying to employees and employers in California this is to keep you on the job. So the employee is treated as if they were working 5 days a week, 8 hours a day. And so there is no detachment in fact from the job.

Mr. Corman. Mr. Rangel.

Mr. Rangel. Thank you, Senator. Both of you had cleared up a lot of questions that I had earlier about the program. Do you think there is a neeed for any Federal legislation and is there anything that the Federal Government could have done when you were pioneering this effort and if we did have legislation that it would have helped you and do you think that other State legislators need a Federal incentive to follow your leadership?

Mr. Greene. Well, let me be quite candid with you. I mean this in all respects. No, we do not need the Federal Government. We had made up our mind what we were going to do and we were going to do it. We can continue to do it and we will continue to do it. I really cannot intelligently speak for other States.

I can say this, as a person who has spent some 14 years in the legislatures in industrial relations, I think that our traditional system has a lot of room for a great deal of expansion. There are many, many other things we could do with the basic system that we have.

I think the attitude that there is not new thinking, that we cannot utilize our systems of workers comp, of unemployment, of disability and that we cannot do more for both the employer and the employee now, that is a myth. And I think that is very important because the thing that I think people must learn is to have jobs you have to have a healthy economy and you have to have people there who can employ the people.

And I think we need to be about preserving that. And I think any kind of rational, intelligent tool that we can use that brings about that, then I think we do well for our citizenry. I generally support any expansion and any intelligent, workable way that we can rework the system to get more out of it and more benefit for those people who are involved.

Mr. Rangel. Both of you have been very helpful. Thank you.

Mr. Corman. Counsel, any questions?

I want to ask what the mechanism is for an employer getting out of this system in your pilot program?

Mr. Greene. He indicates to the employment development department and to the employees that at the conclusion of the 20-week period—of course it does not have to go 20 weeks and we have a 20-week limit in California—but he just indicates that at the end of July we will not be continuing the shared compensated work sharing program.

So nobody is pushed in and nobody is held in. It is strictly voluntary. The arrangement, the plan has to meet the satisfaction of both the employer, the employees and if there is an organized industry, of the labor organization as well.

Mr. **Corman.** Did any of the auto industry people use this?

Mr. **Greene.** No, they have not.

Mr. **Corman.** Are they prohibited in any way?

Mr. **Greene.** No, they are not prohibited.

Mr. **Corman.** I do not mean by the State but by the union?

Mr. **Greene.** No; we have UAW support of the program. I think the decision made by the automobile industry is that they are just going to close down period. We found that Ford closed the plant in the valley as you know, Peco Revere, and they just announced last week that they are going into production of the newer and smaller engines in Mexico.

Mr. **Corman.** I think somebody mentioned fair trade. The only fair thing I can see for us to do would be to require Chrysler and Datsun to swap management. I really find it very distressing that they have taken the attitude they have toward the consumer for the last 25 years and now toward the worker, but I am not sure that we have the political strength to do much about that in the Congress.

You have been very helpful.

Mr. **Greene.** Thank you. I can assure you the people are not far from rising up, Congressman.

Mr. **Corman.** Thank you.

Our next witness is Therman C. Kaldahl, president-elect of the Conference of Employment Security Agencies.

Mr. **Rangel** [presiding]. You can enter your full statement in the record and highlight your testimony or proceed as you see most comfortable.

STATEMENT OF THERMAN C. KALDAHL, PRESIDENT-ELECT, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC., AND EXECUTIVE DIRECTOR, JOB SERVICE NORTH DAKOTA

Mr. **Kaldahl.** In view of the time and number of witnesses we have, I would prefer to summarize the testimony.

Mr. **Rangel.** Without objection.

Mr. **Kaldahl.** We appreciate at the Interstate Conference of Employment Security Agencies the opportunity to testify on H.R. 6540, 6690, and 7529. My name is Therman Kaldahl. I am the president-elect of the Interstate Conference of Employment Security Agencies and the executive director of the Job Service Agency in North Dakota.

I want to tell you a little bit about the conference and the method we used to establish the basis for my testimony today. We present a compilation of the views of 50 State agencies that administer the Employment Security System in the United States, as well as Puerto Rico, the Virgin Islands, and the District of Columbia. We are committed to progressive administration of the programs that we handle. These include unemployment compensation, the employment service and other employment and training programs. We arrive at our positions through a committee structure that allows us to study issues in depth, to do analyses of the policy positions that are proposed and some that we ourselves develop.

Those committee proposals are then made available to the full membership; and through a consensus process we develop policy positions.

It is from those policy positions that we have developed this testimony that we present to you today.

I would like to take just a minute to respond in a general way to unemployment compensation programs that extend benefits beyond 39 weeks, then talk specifically and very briefly about each, and then address separately H.R. 7529.

We, as a conference, have traditionally had reservations about extending unemployment compensation benefits beyond 39 weeks. In our minds the unemployment insurance program, when it was initiated, was designed to insure that individuals who had strong attachments to the labor market, they would have some form of monetary replacement during times of involuntary separation from their jobs. We do not think that the unemployment insurance system was designed to provide a remedy for long-term unemployment. We think that for long-term unemployment other remedies ought to be pursued. We also believe that the realities of today is economy ought to be faced squarely. We ought to realize that we are dealing now with a changing economy and that some workers may very well have to return to different jobs or different locations. We also believe that while unemployment compensation benefits are available, personal decisions about returning to different jobs or different locations may be delayed.

We do support as a conference some kind of help through Federal assistance to those who are long-term unemployed. We do not think unemployment compensation is the total answer. We have traditionally advocated as other answers: public service employment, relocation assistance, job development, job search assistance, and in some cases, some kind of income replacement beyond the traditional 39 weeks.

We see another problem that exists currently, Mr. Chairman. We agree that there is an economic downturn being experienced in our country, but in looking at the States who have experienced higher levels of unemployment, we see that those high levels may not necessarily have been sustained over long periods of time.

As of June 7 there were 18 States who had triggered "on" extended benefits. Only three of those States had triggered "on" prior to February of 1980. Eight triggered "on" during the month of June. New Jersey and Maine triggered off in June. And we expect Rhode Island will trigger off within a week or so.

Our conclusion, as we look at some of these initial facts about the current economic downturn, is that those States which have triggered "on" extended benefits may very well have been experiencing some form of seasonal unemployment. We also have no reason to believe anybody has an exact picture of the economic recession we are in. In our minds it may be premature at this time to create a permanent program that would extend benefits beyond 39 weeks.

In the event you decide that some extension of unemployment compensation benefits beyond 39 weeks is necessary, we would encourage you to consider that to be a temporary program rather than a permanent one. We would suggest that the cost not be placed as a burden upon the employers of our country, but rather that the responsibility for financing come from general revenues.

Specifically with respect to H.R. 6690, which would provide a program beyond 39 weeks when the insured unemployment rate in a labor market area exceeds 10 percent, I would just offer some of our concerns. We think establishing area triggers would be very costly. It would take a great deal of time on the part of the Federal Government as well as State agencies to determine what those areas are. We can see some potential inequities created. And it would create a major burden for those of us who administer these programs because we would find ourselves in the awkward position of administering different benefit programs with different eligibility requirements in one area as opposed to another.

We generally do not support the notion of 26 weeks of additional benefits even in areas where the IUR is below 10 percent.

With respect to Mr. Brodhead's bill, our major concern with that in addition to those that I have expressed is that his bill would establish a permanent program now. We would, as I indicated earlier, encourage you, if you are intent upon establishing legislation to extend benefits beyond 39 weeks, to look at a temporary solution. This bill also modifies the methodology of determining the insured unemployment rate. And we would call your attention to the fact that the current methodology for determining the insured unemployment rate is under litigation. This legislative modification would add a complicated feature to the entire process and it may just simply add confusion.

With respect to H.R. 7529 that would develop a work sharing program, we would support this legislation because it offers flexibility to States and it offers us a unique program to deal more creatively with our labor market. Additionally we support this kind of voluntary Federal-State cooperation that comes as a welcome change for us. And we would encourage you and your subcommittee to act favorably on this legislation.

In summary, our conference does not support H.R. 6540 nor 6690. We would, however, offer the help of our staff and our members to work with you or with members of your staff in examining alternatives to post 39-week unemployment insurance programs. We pledge our help in any way we can. We do encourage you again to support H.R. 7529.

Mr. Chairman, I thank you again. I would like with your permission to add a few personal comments.

Mr. CORMAN. Surely.

Mr. KALDAHL. In this capacity I speak on behalf of myself, my advisory council, and our Governor, Art Link, who was a colleague of yours in the House of Representatives a number of years ago and who, when he learned I was speaking today to you, encouraged me to offer you his personal greetings.

It occurs to us in North Dakota that you probably have never heard from any of the States in the Northern Great Plains when it comes time to discussing unemployment compensation. And there is a good reason for that. Those of you like yourself and Mr. Rangel represent districts that are highly industrialized and you feel the impact of economic downturns much more quickly than we traditionally have. By the time the implications of a recession are felt in the Farm Belt, those of you who have taken the leadership have the solutions in place for us. And we are grateful for that.

This year we find ourselves in a unique position. Our business in North Dakota freezes up every October and November. We are accustomed to that seasonal layoff and we are accustomed to having our people return to their jobs in the spring when the ground thaws out. That didn't happen this year. Additionally, the high interest rates that we have experienced in the last 7 or 8 months have shut down the manufacturing industry in our State and the States in the Northern Great Plains.

Also, our problems this year are compounded by a drought. The one hope that we had held out for ourselves to create new jobs in our State was the energy industry. We create a great deal of coal and coal-fired electricity. The plants that were scheduled for construction have now been delayed for 2 or 3 years because the demand for electrical energy apparently has diminished substantially in the last year.

We see the problems of working men and women in our State and in our region to be of immense concern to us. As we look to the eastern part of our country for solutions, we see that the only group of people who are discussing this with any degree of sincerity appear to be you and your subcommittee. And we want to extend to you our personal thanks for offering us the only ray of hope that we and the working people in our State appear to have right now.

Mr. Chairman, that concludes the comments I have. I want to thank you again.

[The prepared statement follows:]

Statement of Therman C. Kaldahl, on Behalf of the Interstate Conference of Employment Security Agencies, Inc.

Mr. Chairman, members of the Subcommittee, we greatly appreciate this opportunity to come before you today and present our views on H.R. 6540, H.R. 6690 and H.R. 7529. My name is Therman C. Kaldahl, I am the President-Elect of the Interstate Conference of Employment Security Agencies (ICESA) and the Executive Director of the Job Service North Dakota.

Today, my remarks will reflect the views of the members of the Interstate Conference. Our membership includes the state employment security agencies in each of the fifty states, Puerto Rico, the Virgin Islands and the District of Columbia. As an organization, we are committed to and strive to improve the operations of the several programs we administer, including the unemployment insurance program, the Employment Service and many other employment and training programs. Our organization brings together the state agencies, through a committee structure, to study, analyze and make decisions on the important policy issues we face. We are able to offer a consensus of the views of all the state employment security administrators to this Subcommittee and ober policy makers.

Both H.R. 6540 and H.R. 6690 create programs which will provide unemployment compensation to persons who have exhausted both regular unemployment insurance benefits and those extended benefits which become available during periods of increased unemployment in a state. For many years, the Interstate Conference has maintained a very strong interest in programs of this type which offer benefits beyond thirty-nine weeks of unemployment. First, we would like to share some of our general concerns about these types of programs with the Subcommittee. Then we wish to comment on some specifics in both H.R. 6540 and H.R. 6690. Finally, we will address H.R. 7529 separately.

In general, the Interstate Conference believes that the duration of unemployment insurance should not exceed thirty-nine weeks, including extended benefits. There are several reasons for this position. Fundamentally, the unemployment insurance program was created to insure individuals with a strong labor market attachment, who are involuntarily unemployed, and to provide them with short-term partial wage replacement while attempts are being made to secure reemployment. The Interstate Conference maintains that unemployment beyond thirty-nine weeks becomes a problem which unemployment insurance was not designed to remedy. Other remedies which aid the worker in adjusting to a new economic environment should come into play for individuals unemployed longer than thirty-nine weeks. We believe that the nation must face the reality of our changing economy and recognize that some workers will have to return to work in a different industry or different location. We recognize the human tendency to resist change and to avoid relocation and occupational change as long as unemployment insurance benefits are available. While we would support federal action to assist these long-term unemployed workers, we do not believe that lengthening the duration of unemployment benefits is the complete answer. We advocate the utilization of programs which encourage reemployment, public service employment, relocation assistance, job development, job search assistance, training, and possibly some income replacement for individuals who remain unemployed beyond thirty-nine weeks.

Another question which arises regarding these bills is one of timing. While we agree with most economic observers that the nation is entering a recessionary period, we have seen sustained levels of high unemployment in only a few states. As of June 7, 1980, eighteen states are experiencing sufficiently high unemployment rates to trigger on the State Extended Benefits program which provides up to thirteen additional weeks of unemployment benefits. Only three of these eighteen triggered on prior to February 1980. Eight of the eighteen states reached the extended benefit trigger level during this month and will continue to pay extended benefits for three months. Finally, two states, New Jersey and Maine recently triggered off and Rhode Island is expected to do so within a week. These facts indicate that at least some of the current unemployment in the nation is seasonal in nature. The length and depth of the recession we are experiencing is not clear. Even if the Congress decided that lengthening the duration of unemployment insurance is the proper response to a recession, in our view, it may be premature to establish a permanent beyond thirty-nine weeks benefits program with relatively few states experiencing high levels of long-term unemployment.

The Congress may decide that an emergency extension of unemployment benefits is a necessary part of a Federal effort to stabilize the economy and minimize individual hardships. The Interstate Conference believes that such an extension should be temporary in nature and funded from federal general revenues. As previously stated, the simple addition of weeks of unemployment benefits will not solve the significant problems faced by the long-term unemployed worker, whereas a combination of training, job search assistance and other activities encouraging reemployment will begin to address the issues these workers face. The financing of benefits in beyond thirty-nine week programs, we believe, is not a responsibility of the employer community alone but becomes a national shared burden which must be funded through general revenues.

A thorough and comprehensive report on the entire unemployment insurance system is shortly to be submitted to this Subcommittee and the Congress by the National Commission on Unemployment Compensation. This report will discuss many of the very concerns we have mentioned regarding beyond thirty-nine week benefit programs. In addition, the National Commission report will outline many recommendations for this Subcommittee to review which may offer substantial guidance in the development of special benefit programs. It is our hope that the Subcommittee will consider reviewing the National Commission's recommendations prior to reporting out either H.R. 6540 or H.R. 6690.

We would like to address some of the specific provisions in each of these bills also. First, H.R. 6690 offers a program which would pay extended benefits beyond thirty-nine weeks when the insured unemployed rate in a labor market area exceeds ten percent. For many years the Interstate Conference has been on the record as opposed to any program which uses area triggers such as those suggested in H.R. 6690. There are several reasons we are opposed to area triggers. Most importantly, there are no data currently available which would enable the state agencies or the Federal government to determine when a given labor market area had reached a ten percent insured unemployment rate. Therefore, were H.R. 6690 implemented, a major effort would have to be mounted to define labor market areas and to gather and analyze the data required to determine area insured unemployment rates. Not only would such an effort require substantial development time, but we believe it would be extremely costly both to develop and to maintain.

A second serious problem with the area triggers is that they can create inequities which are difficult to justify or explain. In urban areas, particularly, it is extremely likely that some unemployed individuals would arbitarily be excluded from the prolonged extended coverage in H.R. 6690 by virture of the area labor market boundaries. These individuals would demand an explanation justifying their exclusion from the additional weeks of benefits if their neighbors, unemployed for the same reasons, were eligible for extra coverage. We believe that the concept of area triggers can and will create this type of inequity and thus could result in severe criticism of the program within many communities.

Lastly, the administration of programs with area triggers is a difficult and costly operation. Each state agency would be required to have the flexibility within its operation to: (1) gather and analyze the necessary labor market data to determine the area trigger levels; (2) operate different benefit programs with different eligibility requirements in each labor market area; and (3) to staff the special extended benefits programs suggested by H.R. 6690. Each of these requirements suggests additional administrative procedures and increased costs to operate the unemployment insurance program.

To summarize these points, the Interstate Conference is opposed to H.R. 6690 and its suggested utilization of area triggers. We believe that establishing an area trigger concept will be costly, require significant development time, create potential inequities and is a major administrative burden. We would not favor twenty-six weeks of additional benefit eligibility, even in areas where the insured unemployment rate exceeds ten percent.

Mr. Brodhead's bill, H.R. 6540, offers a special extended benefits program which would become available when the unemployment rate in the state exceeds five percent for thirteen consecutive weeks. This program is very similar to the Federal Supplemental Benefits program which was available during the 1974–75 recession. Our major concern with this legislation is not only that it establishes a permanent program now, but it modifies the method of computing the insured unemployment rate. A full review of the National Commission on Unemployment Compensation report prior to reporting out this legislation may be desirable. In addition, the computation method for the insured unemployment rate is currently under litigation, as a result of the recent change in the computation methodology. It may be that legislative modification of the computation method at this time would create confusion in an already difficult situation. Careful consideration seems necessary before changes in the computation of the insured unemployment rate are contemplated.

The final bill before us today, H.R. 7529, would establish the ability for states to develop work-sharing programs. Mrs. Schroeder's bill additionally requires that the Secretary of Labor develop a technical assistance program, establish one or more demonstration projects and report to Congress regarding the viability of work-sharing as an alternative to total lay-offs during periods of economic slow-down. We have long supported legislation which enhances the flexibility in the states and allows them to approach the unique needs of their particular labor market in a creative manner. H.R. 7529 provides a formal structure within which the states may develop work-sharing programs and provides a modest amount of funding to assist the states. We certainly support this type of voluntary cooperation between the State and Federal partners and encourage the Subcommittee to act favorably on this legislation.

In summary Mr. Chairman, at this time the Interstate Conference does not support either H.R. 6540 or H.R. 6690. We would certainly offer to work with the Subcommittee and staff to examine beyond thirty-nine weeks programs in greater depth in the months to come. The Interstate Conference, in the spirit of greater flexibility and partnership between the state agencies and the Department of Labor, supports the favorable report of H.R. 7529. Work-sharing is one of several programs which offer innovative methods of dealing with temporary slow-downs in the economy. Again, I wish to express our thanks for the opportunity to meet with you today. I will be delighted to try to answer any questions that the Subcommittee may have.

Mr. Corman. Thank you very much. Mr. Kaldahl, if we are all still here in the next Congress, we are going to review the Cohen Commission recommendations. And we are going to keep you busy this fall and next spring because I think there are some fundamental changes that would improve the system of unemployment compensation. I have great respect for the people on that commission, and I think that they will provide good guidance.

So we hope before this session ends to draft a bill based on those recommendations and put it out for comment. We obviously are not going to legislate anything fundamental in this Congress, but we may be able to take some short-term measures.

We really would appreciate your conference's assistance in this regard.

Mr. KALDAHL. Mr. Chairman, we welcome that invitation.

Mr. CORMAN. Have you seen any place where, unemployment compensation aside, there has been any effort on the part of very large employers to move into shared work? So if they have to cut back their labor force by 20 percent, it is a percentage cut instead of a 100-percent cut for some; has that been tried anywhere?

Mr. KALDAHL. Except for the California experience?

Mr. CORMAN. Except for the California experience. I say leaving out unemployment compensation, cutting back to a 32-hour week and keeping all of their employees.

Mr. KALDAHL. I had the opportunity to meet with the directors of the Employment Service in Salt Lake City about 5 weeks ago and we talked about the reactions to the economic downturn and what the Employment Service can do. During those discussions the only State that indicated a great deal of activity in that area was California. The rest of the States did not seem to be aware of it.

Mr. CORMAN. I think without really planning to do it, we have done so in the industry. The movie industry is a substantial industry in our State. The salaries are very high and people seldom work a full week; I am talking not just about the actors but the supporting people. They can earn a good annual salary in less than 12 months of work. This happens frequently.

It seems to me that we have to anticipate sharing the work that is left, because with technology as it exists now, we don't need everybody unless we decide to do some other fundamental things like provide health care and education.

Any other questions?

Thank you very much.

Next we are pleased to welcome two good friends to this committee. I see one of them here. We have Mr. Bert Seidman, director, Social Security Department, AFL-CIO.

STATEMENT OF BERT SEIDMAN, DIRECTOR, SOCIAL SECURITY DEPARTMENT, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS; ACCOMPANIED BY ROBERT McGLOTTEN, ASSOCIATE DIRECTOR, DEPARTMENT OF LEGISLATION AND ALSO BARRETT K. SEELEY, ASSISTANT DIRECTOR, DEPARTMENT OF SOCIAL SECURITY

Mr. SEIDMAN. Thank you, Mr. Chairman.

Mr. CORMAN. We are pleased to welcome each of you to the subcommittee. You may proceed.

Mr. SEIDMAN. For the record, Mr. Chairman, my name is Bert Seidman. I am the director of the Department of Social Security of the AFL-CIO. With me is Barrett Seeley, an assistant director of the same department.

Mr. Chairman, the AFL-CIO is pleased to have this opportunity to testify on three bills before this subcommittee: H.R. 6540, Representative Brodhead's Emergency Unemployment Compensation Act of 1980 which would provide 13 additional weeks of emergency unemployment compensation beyond the permanent extended benefits program; H.R. 6690 introduced by Representative Hillis which would provide 26 weeks of benefits beyond the extended benefits period in areas experiencing extremely high rates of unemployment; and H.R. 7529 introduced by Representative Schroeder which would enable States to establish short-time compensation programs.

Once again, Mr. Chairman, because there is no permanent program to provide unemployment benefits beyond the 39-week maximum benefit duration of the extended benefit program, Congress must act in response to an unemployment crisis. Therefore, the AFL-CIO is pleased to support, with modifications which we will recommend, Representative Brodhead's bill, H.R. 6540.

Earlier this morning you heard Mr. Bert Lewis say that it was not necessary to have legislation of the kind that you are considering, that is, legislation which would provide unemployment insurance benefits beyond the maximum 39 weeks, because in the opinion of the administration, I suppose it is unnecessary at this time.

Well, Mr. Chairman, we think that the administration has not had a very good record of being able to predict unemployment. As I understand it, the reason cited by Mr. Lewis is that the national trigger has not yet triggered on. In part, that is because of the change in the formula, which the administration effected in February. If that change had not taken place, it is my understanding that the national extended benefit trigger would have triggered on within a week or two of the time that we are sitting here now. So the situation is indeed very, very serious.

What we are talking about here is a beyond 39-week trigger program, and it won't trigger on until the States trigger onto the extended benefit program. Therefore, workers will not get emergency unemployment compensation until EB triggers on, and that has been made much more difficult by the new regulations.

I understand that you have other things to concern you as Members of Congress in the next few months. You may not be here all the time. And therefore, it seems to us very important that H.R. 6540 be enacted now so that it will be in place and so that it will be implemented at the earliest possible date.

That is why last February the executive council of the AFL-CIO, which was already seeing the prospect of recession and high unemployment ahead of us, called for this kind of legislation and reiterated the call when it met in May.

Unemployment has increased sharply in recent weeks as the recession has deepened. Currently the national rates of unemployment stands at 7.8 percent with 8.2 million workers unemployed. The true level of unemployment is nearly 10 million workers, counting those who are discouraged jobseekers and those who for economic reasons are involuntarily working part time because no full-time jobs are available. There were reported 980,000 discouraged workers in the first quarter of 1980 and this figure has undoubtedly risen in this calendar quarter. And it is still going higher.

Exhaustion rates in the highest unemployment States where extended benefits have already triggered "on" are beginning to climb markedly. From December 1979 to February 1980 over 49,000 claimants exhausted extended benefits in five States, over 40,000 in Michigan alone. In the 2 months, April and May 1980, another nearly 29,000 workers have exhausted their extended benefit durations in Michigan. In New Jersey extended benefit exhaustions in April of this year alone were over 5,500. Ohio and Pennsylvania have shown tremendous recent increases in extended benefit exhaustions. And we have been hearing from some of the witnesses this morning as to what the impact of this has been in other States. In May, Pennsylvania EB exhaustions were over 18,000 and Ohio exhaustions reached nearly 14,000.

It is because extended benefits exhaustions are beginning to increase rapidly with no end to the recession in sight, and because there is no program in place to provide benefits beyond the extended benefit period, that the AFL-CIO is heartened by the introduction of Representative Brodhead's bill. Currently, 18 States have extended benefit programs triggered "on." Until emergency employment compensation legislation is in place, the long-term unemployed who have exhausted their extended benefit entitlements will have no further protection from the ravages of joblessness whatsoever. We, therefore, urge this subcommittee to act promptly on H.R. 6540, but we have a number of recommendations for strengthening it.

Mr. Chairman, the AFL-CIO is pleased to note that H.R. #6540 would establish a permanent program of unemployment benefits beyond the extended benefit period which would be wholly funded from general revenues. For nearly 10 years we have called for Federal legislation to establish an extended program on a continuing basis for long-term unemployed workers who have had firm attachment to the labor force. We have said that such a program should provide adequate opportunity for such workers to obtain vocational guidance and training as well as other appropriate assistance needed to qualify them for suitable work. We have called for such a third-tier program to operate throughout all phases of the business cycle to serve the long-term unemployed without regard to trigger mechanisms. While such a program might include more stringent suitable work provisions, it would also serve to establish workers unemployed by reason of structural dislocations in new and productive jobs at decent wages. And we believe that such a program should also provide incentives for workers to enter new labor markets through provision of relocation expenses on a voluntary basis.

While we urge such a program as part of a major effort to reform the UI system to meet the challenges posed by structural unemployment in the 1980's, the AFL-CIO agrees with Representative Brodhead that a triggered third-tier program of more modest proportions must be set in place now to ease the finacial burdens of the 238,000 workers receiving extended benefits payments now, many of whom will be exhausting these benefits shortly. It must be noted here that Maine and New Jersey, States having the 5-percent EB option, have just triggered "off" their extended benefit programs. Yet, for example, New Jersey's total unemployment rate is still over 8 percent and Maine's is over 6 percent. Without an adequate emergency unemployment compensation program, New Jersey's more than 130,000 unemployed now drawing regular benefits will receive no further unemployment protection as regular exhaustions occur.

We therefore urge, Mr. Chairman, that this bill be modified so as to provide a State emergency "on" trigger at an insured unemployment rate of 4.5 percent and a national emergency "on" trigger at an IUR of 5 percent. It is our understanding that the gap between the IUR and total unemployment rate is widening. Currently, the spread nationally is over 3 percentage points, the TUR being 7.8 percent and the IUR 4.7 percent.

Therefore, trigger levels that may have been appropriate 5 or 6 years ago are too high, for the extended benefit program, and for the emergency program under consideration here. We believe that serious consideration ought to be given to the establishment of lower trigger levels for both the extended benefit program and this emergency act.

We are pleased, however, to note that the IUR calculation containea in H.R. 6540 includes in the numerator those unemployed who are receiving not only regular benefits but also extended or State additional benefits. The AFL-CIO strongly opposed the regulatory change that went into effect in February of this year that dropped EB and additional claimants from the calculation of the States and national EB "on" and "off" trigger calculations.

The effect of this change will mean that States will trigger "off" EB periods earlier and that the national EB trigger will come "on" later, thus depriving large numbers of unemployed workers of extended benefit protection.

Thus, the AFL-CIO additionally recommends that this legislation remove the 120-percent formula from the extended benefit program. This requirement currently results in denial of extended benefits to jobless workers in States where unemployment is not 20 percent over the level 2 years previously no matter how high the level was then or is now. Inasmuch as Congress in the past has waived the 120-percent formula on seven different occasions, there is ample precedent for not including such a restriction in the Brodhead bill.

And we are very glad the bill does not include that requirement. Incidentally, the National Commission on Unemployment Compensation has also recommended that that requirement be taken from the program.

Finally, we note that the Secretary of Labor now projects 8.5 percent unemployment by the first quarter of 1981. The AFL-CIO and others believe this figure to be conservative. Thus, we urge that, as was done in the last recession under the Federal supplemental benefits program, 65 weeks of benefits rather than 52 be made available in this bill. Such a provision would provide greatly needed protection to those who through no fault of their own will be unemployed the longest during this recession.

This is also a recommendation that the National Commission on Unemployment Compensation has tentatively decided.

H.R. 6540 is urgently needed now. We hope that Congress will move quickly to enact this bill with the modifications we have recommended and in addition provide the required appropriations to fund this emergency compensation program for this year and next.

While conceptually we find merit in Representative Hillis' bill, H.R. 6690, which would provide benefits for up to 65 weeks to the unemployed in areas experiencing an insured unemployment rate of 10 percent, we also believe this program to be not practical. The State election feature would not insure implementation in any State and the 10-percent IUR feature—at least 13-percent total unemployment—would preclude meaningful application in most labor market areas.

Additionally, because the American economy is highly integrated resulting in recessions impacting broadly on employment in the States and the Nation, we believe State and national triggers at meaningful levels to be most appropriate during this recession. And we certainly do not regard a 10-percent IUR figure as being at all reasonable.

Further, the definition of labor market area in this bill does not distinguish between unemployment by residence or by work site, and data determining the extent of unemployment in a labor market area, as defined, are either not available or sketchy at best. We believe, however, that study of this concept ought to be undertaken to determine if unemployment data by appropriately defined labor market area can be developed for use in triggered supplementary unemployment benefits programs.

Mr. Chairman, H.R. 7529 would encourage, through Department of Labor funding of pilot programs and the payment of grant money to the States, the provision of unemployment benefits to partially unemployed workers, that is, those who have had their workweek reduced by their employers. Whether this should be done raises difficult and sensitive issues. California has enacted a short-time compensation law. Study of the operation and effects of that law are just now getting underway. In essence, the California experience will provide a test to enable the Congress to evaluate the merits of this proposal. That being so, we suggest that pending that study it would be wise to wait before taking a further step at the national level. Certainly we believe that a bill like H.R. 7529 should be evaluated on the basis of reason and experience rather than fears or hopes or projections.

Mr. Chairman, we have appreciated the opportunity to testify on these bills. I would like to emphasize again that we think that there should be no delay in enactment of the necessary legislation to assure that workers who exhaust even extended unemployment insurance will have available for them for an additional 26 weeks maximum supplementary unemployment insurance benefits. We have no doubt that there will be many, many workers who will be exhausting their benefits in the months to come. And they need protection. And they look to this committee and the Congress to provide it.

Mr. McGlotten, who is an associate director of our department of legislation, has joined us. And we will be very happy to respond to any questions that you may have.

Mr. Corman. Thank you very much. Mr. Brodhead will inquire.

Mr. Brodhead. Thank you, Mr. Chairman. We are pleased to have your statement, Mr. Seidman. I am delighted to have your support for the piece of legislation that I introduced, and I would be happy to work with you to consider some of the changes that you have recommended in the legislation.

I introduced this bill in February. I did so because we were already being impacted in Michigan by the recession in the automobile industry. I thought it would spread to the rest of the country, and it appears it has been doing so.

Unfortunately, as you know, we are still in a situation where we have to persuade people that there is a recession going on. Some people, even in very high levels of our Government, are not aware of it yet. So I think we are going to have to work together to persuade people that we ought to try to do something before the house burns down. It is time to get out the fire equipment. I am glad to see that the AFL-CIO is well aware of the problem and pledge to work with us on it. I certainly will do everything I can to try to see if we can work out the concerns that you have with this legislation.

Thank you.

Mr. **Seidman**. Mr. Brodhead, I am sure I can speak on behalf of our legislative department as well as the rest of the AFL-CIO in assuring you that we would be very, very happy to cooperate with you and work with you in any way we can in achieving what I am sure is a mutual goal.

Mr. **Brodhead**. Thank you.

Mr. **Corman**. May I ask if you think over the long term are we going to be able to reduce the workweek, either the days or the hours? It seems to me that we have talked about this for 20 years. Technology is putting us in a position where we do not need the total labor force, at least in production, and we have been slow to expand service industries such as health care and education. Are we moving toward a shorter workweek so that we can keep everybody employed, or where are we headed?

Mr. **Seidman**. Mr. Chairman, in the first place, as you know, a shorter workweek without any reduction in wages has long been a goal of the labor movement and continues to be. My understanding from our research department is that we are moving very, very slowly, not so much in terms of reduction of the workweek, but longer vacations, longer holidays, and in some cases early retirement, which amounts to reduction of worktime, Mr. Chairman, rather than a reduction of the workweek, which occurs occasionally but not anywhere near as often.

Mr. **Corman**. Thank you very much. We appreciate your testimony.

The next witness is a panel from the Chamber of Commerce of the United States consisting of Eric Oxfeld; Mark Cahoon, associate director, Council of State Chambers of Commerce; and Conrad Kreyling, payroll and unemployment tax manager, J. C. Penney Co.

STATEMENT OF MARK CAHOON, ASSOCIATE DIRECTOR, COUNCIL OF STATE CHAMBERS OF COMMERCE; ACCOMPANIED BY CONRAD KREYLING, PAYROLL AND UNEMPLOYMENT TAX MANAGER, J. C. PENNEY CO.

Mr. **Cahoon**. My name is Mark Cahoon, and I am associate director of the Council of State Chambers of Commerce. Next to me is Conrad Kreyling, payroll and unemployment tax manager, J. C. Penney Co. At the far end is Eric Oxfeld, associate director, employee benefits, Chamber of Commerce of the United States.

Mr. Kreyling is a member of both councils and the chamber's unemployment compensation subcommittee. Mr. Oxfeld and I would both like to make presentations to the committee, and then the three of us would be available for questions.

Mr. CORMAN. If you have lengthy written statements you would like to submit and summarize, you may do that, but please proceed any way you wish.

Mr. CAHOON. The Employee Benefits and Relations Committee of the Council of State Chambers of Commerce after extensive review of the three bills before this subcommittee today has taken the following positions:

H.R. 6690, we would urge this subcommittee to reject this proposal on the following grounds:

One, our belief that 26 weeks of additional extended benefits in areas of the country having insured unemployment in excess of 10 percent is excessive. We believe that the system as it now operates, which allows up to 39 weeks of benefits, affords the unemployment recipient sufficient time to find reemployment.

Two, H.R. 6690 would require a determination of a labor market area which we believe would be difficult to administer and would create a situation whereby the unemployed are subject to different regulations determined by arbitrarily drawn geographic boundaries.

Three, we agree with the National Commission on Unemployment Compensation which stated recently that the concept of the labor market area is undesirable because figures are too indefinite for various areas.

Four, labor market areas using a 50,000 population figure bear no relationship to the various States due to the fact that there are various-size areas in our population. For example, 50,000 in the Northeast is relatively a small geographic area, however, in States like Texas a population spread of 50,000 could be over a very large geographic area.

H.R. 6540, Emergency Unemployment Act of 1980, we oppose the addition of 13 weeks of unemployment compensation benefits provided for in this bill for the same reasons as previously stated. It is our opinion, however, that if Congress feels that some action is necessary as a result of the overall economic conditions in the country, and they deem that the appropriate vehicle for this action is the unemployment compensation program, and also are willing to fund that action through general revenues, this bill, in our opinion, does set up reasonable perimeters for that action. We would, however, offer the following modifications to the bill:

One, the bill should not be a permanent proposal and should be terminated at the end of 2 years.

Two, the bill needs a qualifying wage requirement, such as 39 weeks of employment in the last 2 years.

Three, the bill should contain a provision whereby people who have been disqualified, and have served a waiting week—for example, in New Jersey 6 weeks for a quit—should not be paid for a full 52 weeks, but total benefits should be reduced by the disqualification period imposed under the State laws.

Four, the proposal should provide for the full offset of any payments received under any other plan. For example, supplemental unemployment benefits, Trade Readjustment Act, social security or retirement benefits, accrued vacations or severance pay, workmen's compensation or disability payments, Redwood Forest or airline deregulatory payments.

Five, the 5-percent IUR rate is much too low. This rate should be raised and all extended benefit claimants should be excluded from the calculation.

Six, under the old Federal supplemental benefits program a strict requirement was included that the recipient must accept a suitable job. Under the same provisions as the old FSB format, we believe that this bill should include a similar requirement.

Seven, if the recipient has not served a 1-week waiting period, he/she must serve a 1-week uncompensated waiting period, before the above proposal makes any payment.

Eight, we adamantly believe that any program requiring payments out of the State trust funds should not be done on a reimbursement basis, but that all payments to the State should be estimated and then made in advance. Many State trust funds are already in a negative position and cannot afford to make additional payments and wait for Federal reimbursement. Also, there should be some provision for the Federal Government paying the administrative costs of the program.

We feel these modifications would add greatly to the effectiveness as well as the overall economic desirabiity of this bill.

H.R. 7529, Short-Time Compensation Act of 1980: This bill has been introduced to encourage States to create short-time compensation programs commonly called work sharing. It is our belief that this work-sharing concept possesses a serious potential flaw. Under the present experience rating system, positive employers, in essence, reimburse State unemployment compensation trust funds on a dollar-for-dollar basis. We believe that this is an equitable system. We are concerned, however, that under a work-sharing program, employers with unstable employment records would have the opportunity to shift some of their unemployment compensation costs to stable employers. Work sharing would, in effect, socialize more unemployment compensation costs. We are strongly opposed to any legislation which does not have built-in safeguards to prevent this further socialization. If the Federal Government were going to make funds available to the States to initiate work-sharing programs, they should include a provision whereby a straight dollar-for-dollar reimbursement is mandatory. We cannot support any program which does not contain this provision at this time.

We are also concerned about the possible adverse effect work sharing could have on experience rating. Experience rating is an integral part of the unemployment compensation system and serves as an incentive for employers to keep employment constant. By allowing more unemployment costs to be socialized, there would be a dramatic negative effect on the current experience rating system. A system that works well and is extremely necessary to the entire unemployment compensation program.

A final point that we would make is that the only work sharing program now in effect has been in effect for several years and has not as yet published any results of the program. We would suggest that those results are necessary before any decisions can be made as to the feasibility of work sharing.

Thank you.

STATEMENT OF ERIC OXFELD, ASSOCIATE DIRECTOR, EMPLOYEE BENEFITS, CHAMBER OF COMMERCE OF THE UNITED STATES

Mr. OXFELD. Mr. Chairman, we thank you for the opportunity to appear on behalf of the nearly 99,000 members of the U.S. Chamber to present our views on the three bills before this subcommittee.

We are mindful that unemployment rates are approaching peak levels, and we share the concerns of the members of the subcommittee for the needs of people who are out of work. Nevertheless, our policy of support for the unemployment compensation system leads us, somewhat reluctantly, to oppose all three bills as introduced.

Until 1970 all unemployment benefit payments and responsibilities were assigned to the States. At that time the extended benefits program was established, under which an additional 13 weeks of benefits were made payable to persons who had been out of work and had exhausted their regular State unemployment compensation payments. The program triggered on whenever national or State unemployment levels rose to certain levels.

These extra benefits were funded equally from State and Federal unemployment tax revenues paid by employers. In late 1974, during the energy crisis, Congress approved the Federal supplemental benefits program, which provided an additional 13 weeks of benefits to be paid entirely from Federal unemployment tax revenues.

Three months later another 13 months were added, bringing the total of benefits to 65 weeks. The FSB program expired in 1978.

Since no Federal unemployment tax revenues were available for FSB, it was financed initially by borrowing from the U.S. Treasury from its inception until July 1, 1977. Thereafter and until the program expired general revenues were used to finance it.

The Federal portion of the extended benefits debt and the FSB debt to the Treasury amount to $8.8 billion, including $5.8 billion due to FSB obligations incurred before July 1, 1977. The debt is still outstanding and is a matter of great concern to us.

A Federal unemployment tax surcharge on all employers has been levied to help repay these loans. We recommend that provision be made for repayment of these debts before we authorize additional spending programs.

Unemployment compensation was conceived as a short-term program. The Unemployment compensation system is thus ill equipped to meet the needs of the long-term and the structurally unemployed.

We recognize that in times of economic recession there is a need for extending the duration of unemployment benefits. Under the present system duration is extended during periods of high unemployment.

Three extra months of benefits are payable to persons who continue to be out of work after 6 months, under the extended benefits program.

We think that 9 months should be the maximum responsibility for the unemployment compensation system.

While there may be a need for a benefit program for longer term unemployment, we question whether it is appropriate to provide further extensions of benefits without mandatory job search and training requirements and whether such benefits should be provided through the unemployment compensation system.

Unemployment compensation is an important component of our employment, training, and related manpower services. Besides paying short-term cash assistance to persons who are out of work, unemployment compensation provides job market services designed to aid in the pursuit of reemployment.

Unfortunately, the heavy claims load and the longer availability of benefits as the result of added months of benefits, Mr. Chairman, inhibits the State agencies from providing the supplementary services.

The U.S. Chamber believes that we must increase the opportunities for persons able, willing, and seeking work to prepare for and to find employment. If a new program is necessary, it should not be simply a revival of FSB.

Based on this perception we suggest that a better program, and one which might draw business support, would factor in the following considerations:

First, any special long-term benefit program must not weaken the regular unemployment compensation system, which cannot be expected to carry the burden of national economic ills. The availability of benefits for up to a year tends to reduce incentives to find suitable reemployment. And the burden of administering the heavy claims load hinders State agencies from fully serving the needs of persons receiving regular or extended benefits and from providing job search, training, and related service to all claimants.

Second, employers should not finance any extended program. Federal general revenues are a more appropriate source of funds. Unemployment compensation is premised on the philosophy that short-term unemployment may be a part of the cost of production and should be reflected in the price of the product. But long-term unemployment and special job assistance programs are not predictable product costs. It is unfair for employers to pay for long-term unemployment, which is caused by economic circumstances beyond their control. Society as a whole we think should bear those costs.

Moreover, increasing employers' unemployment compensation taxes to increase long-term unemployment benefits diminishes the countercyclical nature of the program. Added payroll taxes during an economic recession are a disincentive to hire additional workers.

We note that both H.R. 6540 and H.R. 6690 provide for general revenue financing. However, the policy must be clear that any long-term assistance program is to be financed in full from general revenues. Even with a clear policy there is no guarantee that later Congresses, perhaps tempted by a net surplus in employer-financed unemployment compensation trust funds, will not change that policy.

No. 3, any long-term program should not institutionalize unemployment benefits for persons who are able to work. A person unemployed after 9 months must clearly demonstrate a strong attachment to the labor force if benefits are to continue.

Therefore, it is equitable to require a longer period of weeks worked.

Moreover, the job search requirements must be strengthened and strictly enforced; and a more stringent test of suitable work must be applied. We note that neither bill before the subcommittee contains the suitable work and job search requirements that were added to the FSB program when it was extended in 1977. We believe these tests are essential and must be strictly enforced. Without them suitable work will be determined by the same factors that are reasonably appropriate for a worker recently laid off; but a job not considered suitable work for a claimant in the early stages of that individual's employment, perhaps because it requires fewer skills than the claimant can offer, may well be considered suitable after a substantial period of unemployment and after it becomes clear the claimant's prospects are remote for obtaining work consistent with his or her training, experience, and prior wages.

In line with a realistically redefined concept of "suitable work," an intensive job replacement program should be implemented to assist persons unable to find work. It should be administered by the State employment service in conjunction with private sector employment agencies.

Persons who need to acquire new skills must be directed to retraining programs. Continued payment of cash assistance after regular and extended benefits are exhausted, Mr. Chairman, must be conditioned on mandatory participation in job search and retraining programs. And any new, long-term benefit program should be set up on an experimental basis only and with a definite termination date as the FSB program had.

In addition to the experience gained from the experiment, changes in the economy and the composition of the labor force and other factors may affect the need for, the bounds of, and the future of any long-term program.

Four, the duration of the program should be no more than 13 weeks. The longer the benefits are payable, the more the program resembles welfare, and public support for it weakens.

We note that H.R. 6540 provides 13 weeks of benefits and that 6690 provides 26 weeks. We think a year and a quarter of benefits is excessive.

Five, the program should trigger on only when unemployment rates are at truly emergency levels. Any level below 6 or 7 percent insured unemployment rate probably is insufficient.

We note that H.R. 6540 uses the 5-percent statewide trigger, which we think is far too low; and that H.R. 6690 uses the 10 percent local labor market figure. We are uncertain as to which is preferable.

While statewide jobless data are more reliable, a strong case can be made for using local data. It is not unusual for some States to have low unemployment rates even when unemployment is high in one or more labor markets in that State. However, the use of area or other locality triggers based on jurisdictions smaller than a State may prove cumbersome to administer.

Six, only persons receiving regular benefits should be counted in calculating the IUR regardless of which percentage is used as a trigger. Only persons receiving regular benefits are ccunted in calculating the on and off triggers for extended benefits. The same principle should apply to any long-term program.

Lastly, we are not convinced that the economic climate is right at present for a new spending program paying long-term benefits. Certainly the situation is not so critical as to require hasty action.

We urge the subcommittee to give the matter all due deliberation.

The third bill before the subcommittee concerns the short-time compensation proposal. Under that theory an employer could shorten the workweek, effectively spreading the lightened workweek among all employees. The workers would draw unemployment compensation for their lost work time. This idea, known as work sharing, presently is being tested in California. And other States, we understand, are studying it.

Work sharing offers a certain attraction for the employer community. It has a certain attraction for labor as well. Employers do not lose their trained work force, workers suffer only a small reduction in their wages, and they do not lose fringe benefits. Moreover, minorities and women, the most recent entrants to the labor force, are not forced to bear the brunt of layoffs as they do under the present system. Nevertheless, we are afraid that complications for the UC system are foreseeable. The cost of the work-sharing program may be unpredictable and hard to allocate.

The UC system is predicated on a continuing job search by benefit claimants. The persons receiving benefits for work sharing presumably would have little incentive to search for full-time reemployment.

We think that any work-sharing program should be financed on a reimbursable basis to avoid shifting its costs to employers who are not using the system. Because of arbitrary limits on experience rating and the probability of higher UC costs, this might become an unsurmountable hurdle.

As we have heard, a comprehensive appraisal of the California program is currently underway. We recommend that any Federal action await the outcome of that appraisal. Therefore, we are opposed to H.R. 7529 at this time.

To summarize our position, we reiterate that the UC system has worked well, and provides a public system of insurance against short-term unemployment. The system pays an additional 3 months of benefits when unemployment levels are high.

A program paying benefits for even longer term unemployment has been used in the past. It created many problems. A large debt created by that program has yet to be repaid.

If unemployment levels rise to the point that an additional long-term benefit program is necessary for persons who are out of work after 9 months of regular and extended benefits, the program must be designed in a way that the regular programs are not weakened, so that unemployment benefits do not become institutionalized for persons who are able to work.

A program of continued cash assistance could receive support from the business community only if coupled with mandatory employment assistance. Training and employment assistance programs are better equipped than the unemployment compensation system to serve the needs of the structurally unemployed. Claimants who exhaust benefit eligibility should be referred immediately to these programs and these programs should be prepared to focus on these claimants.

Finally, we think it is premature to implement any Federal work-sharing program. We certainly do not oppose studying work sharing. There are studies currently underway. We merely feel that any Federal action should await the outcome of those studies.

[The prepared statement follows:]

TATEMENT OF THE CHAMBER OF COMMERCE OF THE UNITED STATES, BY ERIC J. OXFELD

My name is Eric J. Oxfeld. I am Associate Director of mployee Benefits for the Chamber of Commerce of the United tates. I am accompanied by Conrad M. Kreyling, Payroll and nemployment Tax Manager, J.C. Penney, Inc. We are appearing n behalf of the nearly 99,000 members of the U.S. Chamber to resent our views on two proposals to extend the duration of nemployment benefits during periods of unusually high nemployment (H.R. 6540 and H.R. 6690), and on a proposal to ay unemployment benefits to workers whose weekly hours are educed in lieu of lay-offs (H.R. 7529).

We are grateful for the opportunity to appear before his Subcommittee to express our opposition to all three bills, s introduced.

H.R. 6540, the Emergency Unemployment Compensation Act f 1980, would require payment of up to 13 additional weeks of enefits to persons who are unemployed and who have exhausted heir regular unemployment compensation (26 weeks) and Extended enefits (13 weeks). Emergency compensation would be payable henever the insured unemployment rate (IUR) within the laimant's state is 5 percent or more.

H.R. 6690, also entitled the Emergency Unemployment Compensation Act of 1980, would require payment of 26 additional weeks of benefits to persons who have exhausted regular benefits and Extended Benefits. Under this proposal, emergency compensation would be payable whenever the IUR within any labor market area is 10 percent or more.

H.R. 7529, the Short-Time Unemployment Compensation Act of 1980, would set up experimental programs, usually called "work-sharing," whereby a worker whose work week has been shortened by 10 percent or more under an approved employer plan would receive unemployment compensation for partial unemployment.

Section by section summaries of all 3 bills are attached.

SUMMARY

As the major spokesman for the business community, the U.S. Chamber has had a long standing interest in, concern about, and support for the unemployment compensation (UC) system. Unemployment insurance is designed to serve the needs of temporarily and involuntarily jobless workers by providing cash benefits during unemployment, with the cost of those benefits being treated as a cost of production. The UC system is financed by state taxes on employers, distributed so as to provide incentives for employment stabilization and to facilitate the active interest of employers in the program. These objectives are accomplished through experience rating of employers. Experience rating operates to decrease taxes for employers with good records of stable employment, and to increase taxes for employers with poor records.

A fundamental objective of an unemployment insurance program is to operate as a counter-cyclical balance during periods of economic recession. UC sustains the purchasing power of persons who are out of work, softening the decrease in demand for goods and services and thereby slowing down secondary or tertiary levels of unemployment. UC, therefore, is beneficial to business as well as workers.

KEEP THE SYSTEM SOLVENT

The UC program has been an overwhelming success and has functioned well in both good and bad times. In recent years, however, the system has been troubled by the inability of certain states to meet their benefit obligations. *Ad hoc* increases in amount and duration of benefits without corresponding increases in funding have put the system out of balance in some states, and the problem has been compounded by two federal programs (one now defunct) extending the duration of benefits during periods when unemployment levels are high. The legislation before this Subcommittee would revive the defunct federal program and once again would undermine the solvency of the UC system.

FEDERAL PROGRAMS

Until 1970, all benefit payment responsibilities were assigned to the states. At that time, the Extended Benefit program was established by which an additional 13 weeks of benefits became available whenever national or state unemployment levels met certain triggers. Between 1971 and 1974, Congress liberalized these triggers on several occasions. These extra benefits were funded equally from state and Federal Unemployment Tax Act

(FUTA) revenues. This was the first time federal funds wereused to finance benefit payments.

Finally, in late 1974, during the energy crisis, Congress approved a new program, Federal Supplemental Benefits (FSB), that provided an additional 13 weeks of benefits to be paid entirely from federal FUTA taxes. Three months later, another 13 weeks were added, bringing the total weeks of benefits to 65.

Since no FUTA funds were available for the FSB program, repayable advances from the general fund of the Treasury were used to finance this program from its inception until July 1, 1977. Thereafter and continuing until its expiration in March 1978, general revenues were used to finance the FSB program.

The present indebtedness of the federal trust fund to the Treasury is a problem of great concern to us. A Federal Unemployment Tax surcharge on all employers has been assessed to repay these loans. The federal portion of the Extended Benefits debt combined with the FSB debt amounts to $8.8 billion. Of this $5.7 billion is due to FSB obligations incurred before July 1, 1977. Provision should be made for repayment of these debts before further spending programs are authorized.

EXTENSION OF DURATION

Unemployment compensation initially was conceived as a social insurance system that would provide income support for unemployed persons during relatively short periods of unemployment. The U.S. Chamber fully supports this basic concept. We have consistently stated that the UC system is ill-equipped to meet the needs of the long-term and the structurally unemployed.

We recognize that in times of economic recession there is a need for extending the duration of unemployment benefits. Under the present system duration is extended during periods of relatively high unemployment. Three extra months are payable to persons who continue to be out of work after 6 months, under the Extended Benefits program. That should be the maximum responsibility for the nation's UC program. While there may be a need for a benefit program for longer term unemployment, we question whether it is appropriate (1) to provide unemployment compensation without mandatory job search and training assistance and (2) to provide such benefits through the UC system.

The example provided by the FSB program is illustrative of the problems of extending benefit duration to relatively long periods of time. With the advent of the FSB program and its resultant 65 weeks of income support, UC developed into something very much like welfare, with many of the same bureaucratic flaws and abuses, and it became a disservice to employers and many employees. This development was dysfunctional both for the UC and welfare systems and, more important, for unemployed workers.

Unemployment compensation is an important component of our national employment and training and related manpower services. Its clearly defined role is to provide short term cash assistance to those who are temporarily and involuntarily unemployed. Coupled with this cash aid, UC provides job market services designed to aid in the pursuit of re-employment. Unfortunately, the heavy claims load and the longer availability of benefits as a result of FSB, inhibited the state agencies from providing these supplementary services hence, most FSB claimants exhausted their benefits without finding jobs.

The U.S. Chamber believes that we must increase the opportunities for persons able, willing, and seeking work to prepare and find employment. If a new program is necessary, it must be carefully designed to serve that end, without undermining the UC system, as was the case with the FSB program and would be the situation if duration were increased as proposed by H.R. 6540 and H.R. 6690. Based on this perception, we suggest that a better program, and one which might draw business support, would factor in the following considerations:

1. Preserve the Regular Program

A special long-term benefit program must be designed to operate in a way that does not weaken the regular UC system. Ideally, it should supplement UC and act as a bridge between UC and CETA.

UC functions reasonably well to deliver benefits to persons whose unemployment is of relatively brief duration. But the system cannot be expected to bear the burden of national economic ills. The availability of benefits for up to a year may reduce incentives to find suitable employment. And the burden of administering the heavy claims load may hinder state agencies from fully serving the needs of persons receiving regular or extended benefits and from providing job search, training, and related services to all claimants. Thus a special program might involve the state UC programs, but should generally fall upon the local CETA mechanism for its implementation.

2. Financing

Employers should not bear the burden of financing the program. Federal general revenues are a more appropriate source of funds. A philosophical underpinning of the UC program is that short-term unemployment may be a part of the cost of production, and should be reflected in the price of the product. But long-term unemployment and special job search assistance are not predictable product costs. And it is unfair for employers to pay for long-term unemployment, which is caused by economic circumstances beyond their control. Society as a whole should bear those costs.

Moreover, increasing employers' UC taxes to finance long-term unemployment diminishes the counter-cyclical nature of the program. Added payroll taxes during an economic recession are a disincentive to employment.

The policy must be clear.that any long-term assistance program is to be financed in full from general revenues. Even with a clear policy, there is no guarantee that later Congresses, tempted by a net surplus in the employer-financed state UC trust accounts, will not change that policy.

We note that both H.R. 6540 and H.R. 6690 provide for general revenue financing.

3. Job Assistance, Not Welfare

Any long-term program should not institutionalize unemployment benefits for persons who are able to work. A person who is unemployed after 9 months must clearly demonstrate that he or she continues to have a strong attachment to the labor force if benefits are to continue.

To qualify for extra weeks of benefits, it is equitable to require a longer period of weeks worked. Job search requirements must be strengthened and strictly enforced, and a more stringent test of "suitable work" should be applied. We note that neither H.R. 6540 nor 6690 contains the suitable work/job search requirements added to the FSB program when it was extended in 1977 --- tests that we believe are essential and which must be strictly enforced.

Prior to the 1977 amendments, FSB claimants were subject to the same suitability of work requirements imposed on claimants drawing benefits under the regular program. Almost every state UC law contains a definition of suitable work, generally expressed in terms of specific criteria to be considered by the agency in determining whether a particular job is suitable work for an individual claimant.

Most commonly, the state law directs that in determining whether any work is suitable for a claimant, the agency consider such relevant factors as: the claimant's physical fitness for the work; prior training and experience; prior earnings; prospects for obtaining local work; prospects for obtaining work at his or her highest skills; the degree of risk to the claimant's health, safety and morals; the distance of available work from the claimant's residence; the length of the claimant's unemployment; and such other factors as would influence a reasonably prudent person in the claimant's circumstances.

In effect, the criteria directed that the agency take into account for FSB claimants the same factors that would reasonably influence a worker laid off last Friday. The concept of suitable work, however, must be flexible if it is to be realistic. The significance of each criterion changes as circumstances change. As the period of the claimant's unemployment lengthens, individuals should lower their sights in terms of the kind of job offers they will accept. A job not considered suitable work for a claimant in the early stages of that individual's unemployment, perhaps because it requires fewer skills than the claimant can offer, may well be considered suitable after a substantial period of unemployment, and after it becomes clear that the claimant's prospects are remote for obtaining work wholly in line with his or her training, experience, and prior wages. If we are to reduce the work disincentives of long-term jobless benefits, there must be a suitable work test that the states can and will enforce.

Even after the suitable work and job search requirements were added to the FSB program, studies revealed that a sizable number of claimants neither sought work nor accepted offers of employment. Although the law required disqualification, the General Accounting Office reported that less than one percent of the registered claimants lost their benefits for failure to comply with the work test. The reason was that the state agencies lacked adequate resources for enforcement.

In line with a realistically redefined concept of suitable work, and an effective enforcement mechanism, an intensive job placement program should be implemented to assist persons unable to find work, administered by the state Employment Service administrators in conjunction with private sector employment agencies. Persons who need to acquire new skills must be directed to retraining programs. Continued payment of cash assistance after regular and extended benefits are exhausted must be conditioned on mandatory participation in job search/retraining programs.

Any new, long-term benefit program should be set up on an experimental basis, with a definite termination date, as the FSB program had. In addition to the experience gained from the experiment, changes in the economy and composition of the labor force and other factors may effect the need for, and bounds of, future long-term programs.

4. Maximum Duration

The duration of the program should be no more than 13 weeks. The longer benefits are payable, the more the program resembles welfare, and public support for it weakens. We note that H.R. 6540 provides 13 weeks of benefits but that H.R. 6690 provides 26 weeks. We think that a year and a quarter of benefits is excessively long.

5. Triggers

The program should trigger on only when unemployment rates are at truly "emergency levels" -- and any level below 6 or 7 percent IUR probably is insufficient. In today's economy, the higher rate is more realistic because other sources of income are more prevalent, e.g., income from a second wage earner or the "underground economy."

We note that H.R. 6540 uses a 5 percent statewide trigger, which we think is far too low, and that H.R. 6690 uses a 10 percent local labor market trigger. We are uncertain as to which is preferable. While statewide jobless data are more reliable, a strong case can be made for using local data. It is not unusual for some states to have low unemployment rates even when unemployment is high in one or more labor markets in that state. However, the use of "area" or other locality triggers based on jurisdictions smaller than a state may be cumbersome to administer. We note that H.R. 6690 proposes to use an area trigger.

We oppose the use of a national trigger because it is inequitable to pay added benefits in a state where jobs may be plentiful.

6. Insured Unemployment Rate

Only persons receiving regular benefits should be counted in calculating the IUR, regardless of which percentage is used as a trigger. Only persons receiving regular benefits are counted to trigger Extended Benefits on and off under Labor Department regulations, and the same principle should apply to any long-term program. We note that H.R. 6540 specifically would include Extended Benefits and long-term benefit recipients in calculating IUR.

7. Timing

We are not convinced that the economic climate is ripe at present for implementation of a long-term benefit program, and certainly the situation is not so critical as to require hasty action. We urge this Subcommittee to give the matter all due deliberation.

WORK-SHARING

One state, California, presently allows workers whose work week is reduced by their employer to draw unemployment benefits for their lost work time. This idea, known as "work-sharing," recently has stirred interest as an innovative alternative to lay-offs. In theory, an employer could reduce the number of hours worked by all workers, effectively spreading the lightened work load among all workers.

Work-sharing seems to offer a certain attraction to both employers and labor, at least superficially. Employers do not lose their trained work force, and workers suffer a small reduction in wages and do not lose fringe benefits, as they do when laid off. Moreover, minorities and women, the most recent entrants into the work force, are not forced to bear the brunt of lay-offs as they do under the seniority system.

Despite these attractions, complications for the UC system are foreseeable. The costs of work-sharing program would be unpredictable and hard to allocate. The UC system is predicated on a continuing job search by benefit claimants, but persons receiving benefits for work-sharing presumably would have little incentive to search for full-time employment.

We think that any work-sharing program must be financed on a reimbursable basis to avoid shifting the costs of benefits and administration to employers who do not use the plan. Because of arbitrary limits on experience rating and the probability of higher UC costs under work-sharing, this might become an insurmountable hurdle. Also, while pay and benefit implications are seen in a positive light, a closer examination reveals some possible problems that will undermine employee support.

At present, it seems premature to appropriate federal funds to implement any federal work-sharing program. A comprehensive appraisal of the California program is currently being made by the state Employment Development Department, the agency administering the plan. We recommend that any federal action await the outcome of that appraisal. We therefore oppose H.R. 7529 at this time.

CONCLUSION

1. The federal-state partnership that characterizes the UC system has worked well to provide a public system of insurance against short-term, involuntary unemployment. An existing system pays an additional 3 months of benefits when unemployment levels are high. A program paying benefits for even longer-term unemployment has been tried in the past, creating many problems. A large debt accumulated by that program has yet to be repaid.

If unemployment levels rise to the point that an additional, long-term benefit program is necessary for persons who are out of work after 9 months of regular and Extended Benefits, the program must be designed in a way that the regular program is not weakened, so that unemployment benefits do not become institutionalized for persons who are able to work.

A program of continued cash assistance could receive support from the business community only if coupled with mandatory employment assistance. Training and employment assistance programs are better equipped than the UC system to serve the needs of the structurally unemployed. Claimants who exhaust their benefit eligibility ought to be referred immediately to these programs, and the programs ought to be prepared to focus on these claimants. None of the bills before the Subcommittee are directed toward that concern.

2. It is premature to implement any federal program of unemployment compensation for persons whose work hours are reduced. Any potential federal action should await the outcome of studies currently in progress.

Attachment

SUMMARY
of
EMERGENCY UNEMPLOYMENT COMPENSATION ACT OF 1980
(H.R. 6540)
REPRESENTATIVE WILLIAM BRODHEAD (D.-MICH.)
February 20, 1980

SECTION 1 - SHORT TITLE

The Emergency Unemployment Compensation Act of 1980.

SECTION 2 - PROGRAM OPERATION

No emergency compensation would be payable for any week of unemployment beginning more than 2 years after the end of the benefit year for which a claimant exhausted the right to regular unemployment compensation.

Eligibility begins the third week after there is a state "emergency on" trigger, and ends the third week after there is a state "emergency off" trigger. The trigger is *on* if the insured unemployment rate (IUR) is 5 percent or more for 13 consecutive weeks, and it is *off* if the IUR is less than 5 percent for 13 consecutive weeks.

Benefit amounts and terms and conditions for claims are the same as for regular unemployment compensation. Each state must establish an emergency unemployment compensation account for each claimant's benefit year. The amount in the account must be (a) 50 percent of regular compensation payable for the regular benefit year, or (b) 13 times the claimant's average weekly benefit amount, whichever is less.

SECTION 3 - FEDERAL PAYMENTS

The federal government will pay the states 100 percent of emergency compensation benefits, either by reimbursement or advances.

SECTION 4 - FINANCING

Federal payments to the states are to be made out of general revenues.

SECTION 5 - DEFINITIONS, ETC.

Defines key terms, including "insured unemployment rate," which must take into account persons received extended benefits and emergency benefits as well as regular benefits.

Benefits resulting from an intentional misstatement of (or failure to disclose) a material fact will cease, and the individual is subject to prosecution under the criminal code. The state agencies may require repayment of benefits, but may waive the requirement if the individual was not at fault or if repayment would be contrary to "equity and good conscience."

PREPARED BY ERIC J. OXFELD, ASSOCIATE DIRECTOR, EMPLOYEE BENEFITS
CHAMBER OF COMMERCE OF THE UNITED STATES (202) 659-6083

Attachment

SUMMARY
of
AREA EMERGENCY UNEMPLOYMENT COMPENSATION ACT OF 1980
(H.R. 6690)
REPRESENTATIVE ELWOOD HILLIS (R.-IND.)
March 4, 1980

SECTION 1 - SHORT TITLE

The Emergency Unemployment Compensation Act of 1980.

SECTION 2 - OPERATION OF PROGRAM

States may agree to pay up to 26 weeks of "area emergency" unemployment compensation to persons who have exhausted regular and extended unemployment benefits, and who are not receiving federal or Canadian unemployment compensation

No emergency compensation would be payable for any week of unemployment beginning more than 2 years after the end of the benefit year for which a claimant exhausted the right to regular unemployment compensation. Eligibility begins the third week after the "emergency on" trigger is activated in any area of the state, and ends the third week after the "emergency off" trigger is activated. The trigger is on if the insured unemployment rate (IUR) in any area of the state is 10 percent or more for 4 consecutive weeks, and it is off if the IUR is less than 10 percent for 4 consecutive weeks.

Benefit amounts and terms and conditions for claims are the same as for regular unemployment compensation. Each state must establish an area emergency unemployment compensation account for each claimant's benefit year. The amount in the account must be (A) 100 percent of regular compensation payable for the regular benefit year, or (B) 26 times the claimant's average weekly benefit amount, whichever is less.

SECTION 3 - FEDERAL PAYMENTS

The federal government will pay the states 100 percent of the area emergency compensation benefits, either by reimbursement or advances.

SECTION 4 - FINANCING

Federal payments to the states are to be made out of general revenues.

SECTION 5 - DEFINITIONS, ETC.

Defines key terms, including:

(a) Area - all or part of a labor market area within a state, or all other parts of a state not within a labor market.

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(b) Labor market area - any area designated by the Secretary of Labor as being a "continuous population center with a population of at least 50,000."

Eligibility is determined with reference to the area in which the claimant was last employed during the base period for the benefit year used to determine eligibility for regular benefits.

Benefits resulting from an intentional misstatement of (or failure to disclose) a material fact will cease, and the individual is subject to prosecution under the criminal code. The state agencies may require repayment of benefits, but may waive the requirement if the individual was not at fault or if repayment would be contrary to "equity and good conscience."

PREPARED BY ERIC J. OXFELD, ASSOCIATE DIRECTOR, EMPLOYEE BENEFITS
CHAMBER OF COMMERCE OF THE UNITED STATES (202) 659-6083

Attachment

SUMMARY
of
SHORT-TIME UNEMPLOYMENT COMPENSATION ACT OF 1980
(H.R. 7529)
REPRESENTATIVE PATRICIA SCHROEDER (D.-COLO.)
June 10, 1980

SECTION 1 - SHORT TITLE

Short-time Unemployment Compensation Act of 1980.

SECTION 2 - STATEMENT OF PURPOSE

Encourages states to provide unemployment compensation to persons whose work weeks have been shortened pursuant to an employer plan to reduce hours in lieu of total layoffs.

SECTION 3 - DEVELOPMENT OF STATE PROGRAMS

Directs the Secretary of Labor to develop model state laws, and to provide grants and technical assistance to help the states develop, enact, and implement programs.

The Secretary may impose "minimum uniformity" requirements:

1) Work week must be reduced at least 10 percent.
2) The amount of benefits must be pro rata portion of benefits payable for total unemployment, up to the maximum benefit the worker could receive if qualified for full-time unemployment.
3) Benefits financed by charging employer's reserve account through experience rating, or by quarterly reimbursement if balance in employer's reserve is negative.
4) No job search requirements but worker must be available for normal work week.
5) Employers must submit plan for approval by state agency that administers the unemployment compensation program.
6) Pensions and health benefits must continue at old level.
7) Unions must consent to the plan, consistent with employer obligations under the National Labor Relations Act.

SECTION 4 - DEMONSTRATION PROJECTS

The Secretary of Labor must conduct 1 or more demonstration projects in cooperation with the state administering agency, with full costs (administration and benefits) to be paid by the Department of Labor.

SECTION 5 - INTERIM REPORTS

The Secretary of Labor must submit an interim report to Congress by October 1, 1982, and a final report by October 1, 1983, with evaluations and legislative recommendations.

SECTION 6 - APPROPRIATIONS

Up to $10 million is appropriated from general revenues for the 3 fiscal years beginning October 1, 1980, to implement the legislation.

PREPARED BY ERIC J. OXFELD, ASSOCIATE DIRECTOR, EMPLOYEE BENEFITS
CHAMBER OF COMMERCE OF THE UNITED STATES (202) 659-6083

Mr. **Kreyling.** I don't have any statements. I am just here to answer questions.

Mr. **Corman.** I guess you are the oldest association in the Nation that are supporters of the free enterprise system and I want you to know I share that concern. Could you tell me briefly what went wrong with the American automobile manufacturing industry?

Mr. **Oxfeld.** While some would suggest that excessive Government regulation is partially responsible, a spokesman for the auto industry might be more appropriate than I to address the problems of the American automobile manufacturers.

Mr. **Kreyling.** Being in retailing I don't know what went wrong but if we went wrong we would be another Grants. If anybody doesn't know, Grants was the third largest retailer but are no longer.

Mr. **Corman.** You indicate—and I must say again that I share your view—there are a lot of things I don't share your view about, but I do agree with you regarding the unemployment compensation system not being a long-term income support mechanism. But do you believe that we ought to have a long-term income support system for American workers who are unable to find any employment?

Mr. **Kreyling.** The answer is yes, but the question is what is a person who is long-term unemployed? Can he find a job or is the person unable to find a job? You have two groups of people. Every time we do a survey on the exhaustee it turns up simply that one large group of people winds up never returning to work, whether you do it 6 months after exhaustion, a year after exhaustion. It is about 25 percent of the total number of people who claim benefits who never return to work. The question is in the first week whether they are really in the labor market or were they never in the labor market and found unemployment a nice way to get tax-free dollars, at 26 weeks they receive half a year. At 39 weeks they have three-quarters of a year. When they extend to a year they collect a full year but that person is the person who started in the first day and never got off unemployment. The person who got a job in the 6th, 26th, 39th or even 51st week, that person probably was looking for a job but when you do a survey it always turns up that you have two methods of looking for a job.

The first one is while you are collecting benefits and the second is when you have exhausted. The attempt made by people who have exhausted is not the same attempt made by people who are working. In the State of Washington after the 1972–73 recession when the biggest layoff was from Boeing, a single manufacturer, they found the people who returned to work returned quickly, 13 to 16 weeks, despite the high unemployment rate. Yet 30 percent of the people exhausted their benefits. Those people did not use the same method of finding a job as the people who did find a job but after they had exhausted, those 5 or 6 percent who did go back to work turned to the same method used by the people that found work in the first 13 weeks.

So I think the problem is not so much payment of unemployment as the fact we are not turning enough dollars into helping the person who wants to find a job to get a job. The job service in the United States as we find it today is not doing its job. Absolutely not. Only 2 percent of the exhaustees have ever gone to a job service for help to get a job. Two percent. Those are statistics from the Department of Labor themselves. Now if that small percentage is using it, why are we funding it so large? We are spending our money to put people to work who already have jobs. People who are employed are using the job service but people who are unemployed are not getting that service. Yet we pay for that service.

Mr. CORMAN. What percentage of employee increase is there in Penney's during the Christmas season?

Mr. KREYLING. Penney Co. has a standard working payroll annually of approximately 120,000 people. It has another approximate 80,000 to 100,000 people who are classified as regular employees who work at least 20 hours every week. At Christmas peaks, at Easter, back to school, those people normally work a 40- or 35-hour week depending on the store. They work all year long. We then have a total population that works with Penney Co. of about 380,000. The people who come and go, total count a year.

So of our 220,000 to 240,000 people we have another 140,000 who work for us some time during the year not necessarily full-time.

Mr. CORMAN. There is always some allegation that the retailers were somewhat advantaged by the fact that they could hire secondary workers for relatively brief periods of time for low wages and that these people could go for unemployment insurance. That is an allegation made by some nonretail employers, but I am not sure it has any validity.

Mr. KREYLING. There is a lot of allegations made against retailers including we make too much money.

Mr. CORMAN. As long as you give us 46 percent of it we will settle for that.

Mr. KREYLING. That is one thing you get from us.

Mr. CORMAN. Our next witness is Maudine Cooper, vice president for Washington operations, National Urban League.

STATEMENT OF MAUDINE R. COOPER, VICE PRESIDENT FOR WASHINGTON OPERATIONS, NATIONAL URBAN LEAGUE, INC.

Ms. COOPER. My testimony this morning will be limited to Congresswoman Schroeder's Short-Time Compensation Act of 1980. We are pleased to be here today. The National Urban League supports work sharing, a concept which purports to avoid or at least to minimize the layoffs by distributing the available work among the employees of a specific company. Those employees who would otherwise be laid off permanently are instead scheduled for shorter work weeks. The result is more individuals in the labor force, a reduction in the unemployment lines.

Such a concept is particularly important in the context of a recession where one of the major problems is unemployment due to layoffs. During the 1974–75 recession blacks were hit hardest by job terminations. After having experienced an increase in employment in the late 1960's and early 1970's, black unemployment rose to 14.3 percent in the second quarter of 1975 in comparison to 8.2 percent for whites still in the labor force. While white teenagers had a jobless rate of 18 percent the comparable rate for black teenagers reached 39.8 percent.

Today we find ourselves facing the threat of similar atrocities, the present recession promises a major setback for blacks in the employment arena. The Bureau of Labor Statistics reported in May that employment sharply declined for the second month, the total unemployment rate reaching 7.8 percent. But again blacks continue to suffer most. The jobless rate for blacks increased by 1.3 percent from April to May 1980 and now stands at 13.9 percent. While the teenage unemployment rate is 19.2 percent, the jobless rate among black teenagers has climbed to 34.3 percent, compared to 15.9 percent for white teenagers.

The Bureau attributes most of the rise in unemployment to layoffs and job terminations. In fact, the percentage of job losers accounts for more than half the unemployed population.

We very firmly believe that we need to find an alternative to these total layoffs, an alternative to the loss of job-related benefits. Yet the coming reduction in sales will force production cutbacks and employers will inevitably balance the situation by reducing the number of workers. We believe, however, that H.R. 7529 presents a viable alternative.

Worksharing is not a new concept. A survey of major collective bargaining agreements among the various unions, conducted by the Bureau of National Affairs in 1975, disclosed that 20 percent of the agreements included provisions for worksharing. Worksharing is practiced in the steel, the garment, and the telephone industries requiring that work be shared among employees before total layoffs occur.

Present unemployment compensation law, however, does not compensate workers who reduce or experience a reduction in work hours. The Short-Time Compensation Act proposes to remedy that problem by permitting prorated unemployment benefits for employees who are laid off for a portion of the week.

The National Urban League supports this initiative to encourage work sharing. While current unemployment insurance plans make it more feasible for employers to lay off workers the present proposal will strengthen the work force and at the same time, allow workers to keep earnings close to that of full-time employees.

Short-time compensation will also strengthen the affirmative action concept. One of the major problems blacks have faced in the employment arena has been a lack of seniority. Employment gains are wiped out by recessions and concomitant layoffs, and minorities are consistently held hostage to the last-hired, first-fired concept at each economic downturn. But the present proposal will allow minorities, especially black youth, the needed opportunity to remain with one employer longer. The resultant seniority will improve the positions of these workers by allowing them to withstand future layoffs.

We also support the legislation's proposed timetable. As I stated earlier we are already experiencing critical declines in employment that will undoubtedly continue to worsen. We consider this an urgent matter and encourage DOL to deem it just as important. The Federal Government should encourage States to institute similar plans by conducting demonstration projects as soon as possible.

After listening to several of the preceding witnesses, I might just add parenthetically that while we would like to see an in-depth study of the California experience, those that were laid off yesterday and will be laid off today and tomorrow cannot eat or maintain themselves with a study. We suggest that the States, with the concurrence and support of the Department of Labor be given an opportunity to implement this program using their own assessments of States' needs.

I thank you and I will be glad to address any questions you might have.

Mr. DOWNEY [presiding]. I have no questions.

The committee now calls C. F. Koziol, corporate director of personnel administration for Motorola, Inc.

Without objection your entire statement will appear in the record. If you would like to summarize it or if you would like to read it, that will be fine.

STATEMENT OF C. F. KOZIOL, CORPORATE DIRECTOR OF PERSONNEL ADMINISTRATION, MOTOROLA, INC.

Mr. KOZIOL. My statement is not that long so I will stick to the text. Before I go with the formal statement, Mr. Rangel and Mr. Brodhead raised several questions in terms of what is the incentive for employers to participate in work sharing? I hope in part this afternoon that I can respond to those questions.

My name is C. F. Koziol. I am corporate director of personnel administration for Motorola, Inc., headquarters in Schaumburg, Ill.

I am grateful today for the opportunity to appear before you today to express Motorola's support for Representative Schroeder's H.R. 7529—the Short-Time Unemployment Compensation Act of 1980. We do have two modifications to propose which we will discuss later. In general, though, we think the bill represents an idea whose time is long overdue.

To acquaint you with Motorola, the company was founded in 1928. We are primarily engaged in the design, manufacture and sale of two-way radios and other forms of electronic communications systems, semiconductors, electronic equipment for military and aerospace use and data communications products. We employ over 75,000 people.

Inasmuch as our products are used in capital goods, we are a company that is very much impacted by fluctuations in the economy.

We have frequently been asked, "Why is Motorola so supportive of short-time unemployment compensation?"

Our concern and motivation center on three affected groups. First, it centers on the welfare of all Motorola employees and their families, including minorities, female and other protected classes. Second, it centers on the welfare of the communities where our facilities are located. And finally, it centers on the welfare of the corporation which depends upon the retention of a fully trained and productive work force to compete effectively.

At the risk of repeating testimony offered by previous witnesses, I would like to amplify briefly on some of the advantages of short-time unemployment compensation to each of these groups.

We are well aware of the traumatic effects of layoffs on employees. The shock, the grief, the concern, the embarrassment that overcomes the individual. The stigma of facing the family and friends; the financial sacrifices that become necessary; the shattered dreams of providing the necessities of life—in short, the dignity of the individual is destroyed.

Under the concept of short-time unemployment compensation, workers would maintain their skills and advancement opportunities;

those most recently hired would suffer less financially and psychologically; they would have fewer work-related expenses; but most importantly workers would maintain fringe benefits which otherwise they could not obtain or could not afford, primarily health and life insurance and pensions.

It is true that senior employees would suffer a reduction in hours and income; however, the experience of several companies has demonstrated a willingness on the part of those employees to make that temporary sacrifice for their coworkers.

With regard to the community, short-time unemployment compensation would result in a more equitable distribution of the impact of an economic downturn. The need for public assistance expenditures would be lessened and a smaller retrenchment in consumer spending would probably occur. Most importantly, short-time unemployment compensation would preserve the integrity of affirmative action programs.

It may limit the mobility of workers which can result in a misallocation of resources, but it may also provide the stability desired by workers and their families.

And finally, there are numerous benefits to the employer. That is the remark I would have liked to address to Mr. Rangel and Mr. Brodhead.

First and foremost, short-time unemployment compensation enables an employer to maintain and improve existing levels of productivity and quality which are essential to the survival of the business enterprise.

Significant costs are avoided by not having to recruit, train and retrain workers. Additional costs associated with employee transfers, downgrading and bumping between jobs are also avoided, since the work force remains intact. Finally, the employer would have the capability to expand rapidly when the economy recovers.

We feel that these advantages far outweigh the disadvantages of higher fringe benefit costs that would accrue to the employer and the increased risk of losing valuable employees whose skills would enable them to locate full-time employment elsewhere.

The recession of 1974–75 had a devastating effect upon American industry. At Motorola, employment fell by almost 30 percent. In one community alone over 2,000 Motorola employees placed their homes on the market. Had short-time unemployment compensation been available to us at that time, almost 60 percent of the employees laid off could have been retained on the payroll.

We witnessed the benefits of work sharing during that recession in European countries where we have major operations, and we avoided layoffs. We recognize that their social system and methods of funding vary from our approaches and would require further analysis.

We have arrived at a position of supporting short-time unemployment compensation only after a thorough study. In brief, our study included meetings with Lillian Poses, a New York labor attorney, whose Poses plan was the first major effort to provide short-time unemployment compensation legislation in this country. We have also met with State Senator William Greene of California and officials administering the California program.

Meetings have been conducted with such employer organizations as the Texas Association of Business, Associated Industries of Florida, and the Arizona Association of Industries. In addition, a study is presently being conducted by the Arizona Department of Security and is supported by Motorola to determine interest in short-time unemployment compensation in that State.

We have further committed Motorola's support to the Department of Labor in conducting demonstration programs on short-time unemployment compensation. Evidence of this commitment is contained in a letter which was sent to the Department on July 25, 1979, by Robert W. Galvin, chairman of the board, Motorola, Inc. The letter in part reads:

> We believe that Short-Time Compensation should be promoted as an alternative to layoffs and we are willing to cooperate with the Department of Labor in demonstrating its soundness and feasibility. Toward this end, we will provide data relating to productivity, absenteeism and turnover; we would establish a control group within Motorola to test the concept; and we would structure our internal procedures to meet Department of Labor specifications in support of the program.

We wholeheartedly agree with Wilbur Cohen, Chairman of the National Commission on Unemployment Compensation, who, during our meeting with him and his staff, termed short-time unemployment compensation as the most innovative proposal to change the unemployment insurance system since its inception over 40 years ago.

At the outset we referred to two modifications which should be made to H.R. 7529. First, to protect employer abuses, negative reserve employers should be required to make installment payments into the trust fund to cover all of the costs associated with their participation in short-time unemployment compensation programs.

Second, while we agree that fixed fringe benefits such as health insurance should not be reduced, variable fringe benefits, that is, those tied to earnings or hours of work should be prorated. Otherwise, costs would increase significantly and support for short-time unemployment compensation as an alternative to layoffs would diminish.

Since most proponents of short-time unemployment compensation agree that it should be utilized for a relatively short duration of time, for example, 3 to 6 months, the potential consequences upon variable fringe benefits should be minimal.

One other concern has been expressed by some segments of labor, namely, that short-time unemployment compensation is bad because it runs counter to a part of the seniority system—the principle of last hired, first fired. Let me respond to that concern.

I agree that short-time unemployment compensation runs counter to the last-hired, first-fired principle. But that doesn't necessarily mean it is bad. Let us examine the purpose of the seniority system.

The seniority system was intended to prevent employer actions that were arbitrary or unfair. Seniority was chosen for two reasons. First, it is objective and easily quantifiable. Second, there is some relationship between seniority and the employer's legitimate goal of keeping the best workers in times of layoffs. One can expect, in general, that the more experience or seniority someone has, the more valuable worker he or she will be.

Short-time unemployment compensation does not in any respect permit arbitrary employer action. To the contrary, it requires employers to treat all employees involved in the program alike. Hence, we believe that short-time unemployment compensation serves precisely the same purpose as the seniority system was intended to serve.

In conclusion, Motorola does not believe that short-time unemployment compensation or any form of work sharing should be a substitute for prudent and efficient management which can minimize the necessity for layoffs or reduced wages and hours. Short-time unemployment compensation should only be utilized as a last resort, after all other reasonable efforts to turn down the business have been exhausted and it should be employed only for short duration.

Thank you for permitting me to present this testimony.

[An attachment to the statement follows:]

MOTOROLA, INC.,
July 25, 1979.

DR. ROBERT CROSSLIN,
Deputy Director of Research and Evaluation, National Commission on Unemployment Compensation, Arlington, Va.

DR. STEPHEN A. WANDNER,
Deputy Director, Department of Labor, Employment and Training Administration, Office of Research, Legislation and Progam Policies, Washington, D.C.

GENTLEMEN: Thank you for providing me with the opportunity of discussing the concept of Short Time Compensation during your visit to our corporate headquarters.

I understand that you and representatives of Mathematica will be conducting a site evaluation survey in Phoenix on Monday, July 30, and I want to reaffirm the commitment and support of Motorola to the Demonstration Project, should Phoenix be selected.

For several years it has been Motorola's long standing objective to achieve job security for its employees. Our management philosophy respects the value and dignity of the individual and recognizes the responsibilities that a corporation assumes for continuity of employment. We have seen the severe consequences that a recession and resultant unemployment have upon employees, their families and the community.

Our interest in Work Sharing goes back to the 1975 recession when European countries where we have facilities, clearly demonstrated that Work Sharing can indeed reduce unemployment, sustain employee morale, maintain productivity levels and accelerate economic recovery. As a result, for the past two and one-half years we have expended considerable time and effort in promoting Short Time Compensation, especially in Arizona where Motorola has sizeable operations.

We believe that Short Time Compensation should be promoted as an alternative to layoffs and we are willing to cooperate with the Department of Labor in demonstrating its soundness and feasibility. Toward this end, we will provide data relating to productivity, absenteeism and turnover; we would establish a control group within Motorola to test the concept; and we would structure our internal procedures to meet the Department of Labor specificaions in support of the Program.

We have recently completed meetings on Short Time Compensation with officials in Texas, Florida and Illinois where key Motorola facilities exist. The initial reaction has been positive; however, the ongoing participation by Motorola in a Demonstration Program in Phoenix would provide us with invaluable information which could make Short Time Compensation a reality in those states.

I hope that you favorably consider Phoenix as your Demonstration city.

Regards,

ROBERT W. GALVIN,
Chairman of the Board.

Mr. DOWNEY. Thank you, Mr. Koziol. Let me ask you one question. On page 5 of your statement you offer a few suggestions to modify H.R. 7529, the second of which is that variable fringe benefits should be prorated. Would you give me an example of some of the variable fringe benefits that you would modify?

Mr. KOZIOL. The one benefit that generally comes to mind is in the pension area. Pensions are normally based on earnings and one objection that has been raised is when someone is about to retire, if he happens to be working on a shorter workweek at reduced wages, that could affect the amount of his pension. We are talking here about a program of short-term duration.

Normally pensions are determined based upon wages earned in the highest 4 of the last 5 years of one's working life so to that extent the pension issue should not be affected at all. That is probably the only variable fringe benefit I can think of.

Mr. Downey. That is also the only one I can think of. You are to be commended for your statement and for the position of Motorola. What other work is your corporation or other corporations doing to try to enlighten other people as to the need for this?

Mr. Koziol. I have sat here all day and I have heard testimony on the Schroeder bill and I have a very uneasy feeling as to where we are going with this bill. I have heard repeated references made to as long as we have got the California program going, then let us wait until the results are in. Let us not start any new programs. I am afraid what will happen is precisely this. We started out with our "crusade" in the autumn of 1978. We couldn't get anyone's interest in this concept because the economy was healthy. Today there is hightened interest in work sharing because we are in a recession.

The results of the California program will not be made known until 1981, the latter part of 1981, and I am afraid that we are going to get into that same cycle again—we don't need it now; the prescription does not fit the situation. I think we should move forward, get as many of these demonstration programs in process so we can really develop some good, hard, sound data.

Mr. Downey. I don't know what the timetable is for the legislation but I am not sure the 96th Congress is the one where I would want to see any bold initiatives given our inclination to cut back the budget, but I think it is a good idea. One of the concerns I have is that we are just maybe swimming upstream in this Congress. It is something you are just going to have to recognize.

Mr. Koziol. In all of the meetings we have had with various groups, we have not come up with any particular negative on the part of any self-interest group to this concept. It is voluntary. It is a test program. It is not federalized to the extent where the States cannot come up with their own demonstration programs. We just have not come across any objections to it.

Mr. Downey. Would the staff comment on this?

Mr. Bowler. Does a corporation like Motorola have firms within the organization that are negative reserve?

Mr. Koziol. Do we have facilities of ours that are negative reserve?

Mr. Bowler. Right.

Mr. Koziol. The only time we became a negative reserve employer was in Arizona in 1976. From 1960 to 1975 we built up a surplus in our trust fund of over $10 million. That surplus was wiped out within a span of 18 months because of sizable layoffs that occurred. To that extent we became a negative balance employer of $3 million. That was the only instance I can think of that we became a negative balance employer.

Mr. Bowler. All of your operations in the same State, are they all in the same account? Would you have any operations say in the State of New York under different——

Mr. KOZIOL. No; in each of the States it is under a separate account.

Mr. BOWLER. In each State all Motorola operations are under the same account?

Mr. KOZIOL. That is correct.

Mr. BOWLER. You raised the issue of—I guess the question that Mr. Rangel has and Mr. Corman at one point was how and when do you terminate short-term compensation for an employer or an industry that has engaged in that? You said it should be limited. Should they follow the California pattern of saying you can only participate for 20 weeks or a certain number of weeks?

Mr. KOZIOL. There should be a cutoff period to it. If there is no cutoff point it could lead to some abuses because an employer that does not do his homework in managing his business could use short-term compensation as a crutch if he can turn it on and off rather than forecast properly, recruit properly, and train people properly. That is why there has to be a limitation.

The same way there has to be a minimum reduction generally of 10 percent in hours worked, there also has to be a cutoff point.

Mr. BOWLER. One other question and this is not one you can really answer now. It is one we need to think about, and that has to do with the role of the Federal Government, and California has demonstrated we don't need to change the Federal law for States to engage in this type of a program. Now, the Schroeder bill—its basic purpose is to encourage States to do it through some demonstration but I guess what we would need to think about is, if we were to develop Federal legislation, what the Federal role should be, how much flexibility you would want among the States?

If you get the Federal Government requiring it in States you are going to have some nationwide standards that might not apply. My first question is do we really need any Federal legislation? If we do, what should be the nature of that legislation?

Mr. KOZIOL. The availability of the funding in terms of technical assistance would be very valuable to the States for one. This technical assistance is represented by the Department of Labor. It could be very useful to States that have had no experience with the concept of work sharing. Whether it is essential—we are demonstrating presently in the State of Arizona that it is not essential. We are doing it strictly at the State level.

Presently we do have a survey going on that will survey 500 members of the work force, of unions and empoyers to test the interest in the work sharing concept.

In addition we will select 100 in each of these 3 groups for in-depth interviews. If the results are favorable we will move ahead and will sponsor legislation in that area. So we are certainly demonstrating that we can do it without Federal assistance.

But we have been at this for 3½ years. We have been dedicated to it. But most of the other States are not.

Mr. BOWLER. Thank you.

[The following was subsequently received:]

SUPPLEMENT TO TESTIMONY OF C. F. KOZIOL, CORPORATE DIRECTOR OF PERSONNEL ADMINISTRATION, MOTOROLA, INC.

Mr. Chairman and members of the subcommittee, during the hearings conducted on June 26, 1980 on Congresswoman Schroeder's H.R. 7529, two key issues kept surfacing which in our judgment need to be addressed.

First, there was an inclination on the part of some witnesses not to favor any short-time compensation demonstrations or experiments until the results of the California program are made available in 1981.

Second, a question was raised several times as to whether there is any need for Federal Government involvement in short-time compensation demonstrations, since the States have the right to conduct such demonstrations on their own.

Let me address each of these issues.

In our estimation it would be wrong to base an evaluation of short-time compensation totally upon a single experience like the California program. To begin with, the results of that program will not be published until late 1981. Undoubtedly, the economy will have recovered by that time and the need for and interest in short-time compensation will have greatly diminished.

In order to achieve a comprehensive evaluation of the concept of short-time compensation, we need several demonstration programs taking place simultaneously. A large number of factors can affect the extent to which firms within different States utilize short-time compensation. Among the most important are the State's industry mix, variation in firm size within the State and the attitudes toward short-time compensation of the business, union and community leaders.

These factors can vary from State to State and hence, the extent to which short-time compensation is utilized can be expected to vary significantly from State to State. It is important, therefore, to have as many demonstrations being conducted as possible to accurately assess the viability of short-time compensation. Several States should be encouraged to pass laws permitting the payment of short-time compensation.

With respect to the involvement of the Federal Government, given the Federal-State nature of the unemployment insurance program it is natural that the Federal Government be the agent which encourages the States to pass such laws. Such action on the part of the Federal Government is certainly justified by the potential benefits of short-time compensation to society. It is also consistent with the traditional research role of the Federal Government in the Federal-State partnership, i.e., to conduct research on ways to improve the unemployment insurance system, to involve States in that research and to disseminate the results of that research to the States.

And finally, funding by the Federal Government is needed if the States are to voluntarily change their laws to permit the payment of short-time compensation. States rightfully are cautious about changing their laws in a matter which can affect the incidence of the unemployment insurance tax on employers and the solvency of the unemployment insurance trust fund. Without funding from the Federal Government, States will be reluctant to introduce new uncertainties into their unemployment insurance programs.

The Schroeder bill represents sound public policy. Without it, there will be minimal incentive for the States to experiment with the concept of short-time compensation. There will be a tendency to fall back on layoffs in times of economic downturn.

The Schroeder bill could be the catalyst to determine once and for all whether or not American business, labor and society are ready to embrace short-time compensation. Thank you.

Mr. DOWNEY. Thank you.

We would next like to hear from Veronica Callender of the Philadelphia unemployment project. Ms. Callender is not here.

Is Prof. Alfred Blumrosen here?

Professor, I don't want to sound like a sexist but does your wife have separate testimony to offer the committee?

Mr. BLUMROSEN. Yes, she does.

Mr. DOWNEY. Please proceed with your testimony first.

STATEMENT OF ALFRED BLUMROSEN, PROFESSOR, RUTGERS UNIVERSITY SCHOOL OF LAW

Mr. BLUMROSEN. I am Alfred W. Blumrosen. I am a professor of law, Rutgers, the State University of New Jersey and of counsel to Kaye, Scholer, Fierman, Hays & Handler, 425 Park Avenue, New

York, N.Y. 10022. I have specialized in the field of labor law and equal employment opportunity law for the past 25 years during which time I have served as a labor arbitrator, counseled the U.S. Government, State and local governments, employers, unions, and individual workers.

I was the first chief of conciliations of the U.S. Equal Employment Opportunity Commission from 1965 to 1967, special attorney in the Civil Rights Division of the Department of Justice in 1968, consultant to the Assistant Secretary of Labor for Employment Standards, 1969–71. From 1977 to 1979, I was consultant to Chair Eleanor Holmes Norton of the Equal Employment Opportunity Commission, where I had specific responsibilities concerning the uniform guidelines on employee selection procedures—1978, the affirmative action guidelines, and the reorganization of the EEOC. For the past year I have been of counsel to the firm of Kaye, Scholer, Fierman, Hays & Handler in New York.

My writings in the field include "Black Employment and the Law," Rutgers University Press, 1971, and several articles, including "Strangers in Paradise: *Griggs* v. *Duke Power Co.* and the Concept of Employment Discrimination," 71 Michigan Law Review 59 (1972) which the Supreme Court has been kind enough to cite in two opinions.

Title VII of the Civil Rights Act of 1964 prohibiting employment discrimination on grounds of race, color, religion, sex, and national origin became effective in 1965. However, it did not really begin to bite into employment practices until about 1970. By that year, employers and unions had begun to hire and promote minorities and women into jobs which they had not traditionally held. When the recession of 1974–75 came along, these persons were relatively junior employees and were most susceptible to being laid off.

I first became interested in the problem of alternatives to "last-in, first-out" layoffs, at that time, because it appeared that the layoffs would cancel out the gains which has been made in equal employment. As a consequence my wife Ruth and I wrote an article concerning the title VII implications of "last-in, first-out" layoff, part of which will be introduced as part of Ruth's testimony.[1]

However, in 1975, objections to worksharing were raised by some labor organizations which did not believe that the more senior workers should bear part of the costs of providing continued employment to newly hired minorities and women. The short-time compensation bill, H.R. 7529, which is before you, meets that concern by providing that the more senior worker who is reduced to a 4-day week will receive unemployment compensation on the fifth day.

Thus, the bill reduces the disadvantage to the more senior worker by assuring that he or she will receive some unemployment compensation on the day that he or she is not working. This makes the work-sharing approach appear more equitable to the more senior workers and the labor organizations which represent them, and hence increases the likelihood that such programs will be adopted.

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[1] Blumrosen and Blumrosen, "The Duty to Plan for Fair Employment: Work Sharing in Hard Times," 28 Rutgers L. Rev. 1082 (1975). The Decision of the Supreme Court in *Teamsters* v. *United States*, 431 U.S. 344 (1977) renders obsolete that part of the article dealing with the interpretation of the bona fide seniority proviso of title VII of the Civil Rights Act of 1964.

The bill should not increase the unemployment compensation costs of those employers who have usually laid off junior employees. It sould be a wash. The cost of short-time compensation for a large number of employees will be no greater than the cost of full unemployment compensation for the smaller number of fully laid-off employees. There is one group of employers, however, for whom this bill would represent an increase in labor costs. I wish to discuss their situation later, in the spirit of seeking a bill which will meet the needs of our time, without imposing unfairness on any group.

I wish to make three points in support of the bill which is before you.

First, it is a useful labor relations tool because it provides employers, and in some instances, unions, with an additional option in the face of a recession, which is not presently available. There are so many and varied circumstances in the industrial world, that it is impossible to determine which employers will be in a position to take advantage of such an option, but it can confidently be predicted that the greater freedom of choice which this bill will provide for employers and unions will be a net advantage. It is a rare Government program which enhances the options open to employers and unions in organizing the work force.

Some will find that the option is a viable way to retain existing trained employees. Others may find that the burdens of exercising such an option exceed the benefits and may decline it. Particularly in the initial stages when such a program is being introduced, I think that considerable leeway should be given to the employer decision as to whether to adopt such an option, or, in the case of collective bargaining, to the joint labor management decision on the question.

A fear has been expressed that the program will misfire because employers will discharge their younger employees, including minorities and women and adopt the work-sharing option with respect to the remainder. I think this fear is unjustified. An employer who adopted such an approach would probably violate title VII of the Civil Rights Act of 1964, unless there were extraordinary circumstances constituting business necessity.[1]

Second, the adoption of work sharing, or a short workweek in lieu of layoff of junior employees will preserve the affirmative action gains in minority and female employment of the last decade. It will also provide continued employment opportunities for younger white/male employees, thus demonstrating that many "affirmative action" programs also benefit employees in general.

The program will give a positive advantage to younger workers in general, enabling them to maintain their attachment to the work force, rather than fall back on unemployment compensation and ultimately welfare.

My third point deals with those employers and industries which already engage in work sharing. These employers and unions have pioneered in alternative methods of organizing work. Their experience has given us reason to believe that work sharing of various types may be practical. The short-time compensation bill suggests that these experiences may be relied upon by others.

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[1] See *Griggs* v. *Duke Power Co.*, 401 U.S. 424 (1971).

However, the employers and unions which now use the shorter workweek adopted their programs without reference to any unemployment compensation costs. The wage and price structure of those employers and unions has been built on an assumption that their work-sharing program would not include the cost of unemployment compensation. A short-time compensation program will increase the labor costs of these employers, because they will have to begin paying unemployment compensation, but it will not affect the labor costs of the majority of employers who have traditionally laid off the junior workers because their unemployment compensation costs exist in any case.

The result is that the only group of employers to face a cost increase under this program will be those who have shown the way by adopting work-sharing programs.

There is an irony in this result which should be avoided. It could be avoided in a number of ways: either by grandfathering those employers or industries such as the apparel industry who had done work sharing in the past from the STC payments, or by providing that short-time compensation programs should not become effective in connection with such employers until some date in the future after the expiration of collective bargaining agreements which involve work-sharing options.

Under this approach, the employers and unions who have used work sharing in the past will have an opportunity to assess the new costs of the short-time compensation law, and build them into their wage and price structure. There is precedent for such a delay in the effective date in the retirement age amendment to the Age Discrimination in Employment Act, and in the Pregnancy Disability Act of 1978.

With the modification to protect those employers and industries which have used work sharing in the past from increased costs, the proposed short-time compensation bill constitutes a positive adaptation of a new-deal program to the conditions of our time, without materially increasing the costs to any person or group. It involves a better utilization of the resources which we have already dedicated to cushioning the effects of a downturn in the economy. I urge you to give it your support. Thank you.

Mr. DOWNEY. Thank you, Professor Blumrosen and please accept the committee's apology for having to wait all day.

I have one question and that concerns the duration of the program. You heard Mr. Koziol suggest before that the program should be of short duration. What are your feelings on this issue?

Mr. BLUMROSEN. That is an issue that the other Professor Blumrosen will address shortly. My problem is that if you put a penalty of some kind, as California does, on continuing to use short-time compensation its effect may be to cause the employer to shift away from the short workweek to a direct layoff where there is no such penalty. That seems to me to be inconsistent with the purpose that the bill is attempting to achieve.

There may be some other way to deal with the situation Mr. Koziol describes that does not have the probable consequence of saying to an employer, oh yes, do work sharing for x number of weeks or until you become a negative employer and at that point go to layoff. That does not seem to be a sensible solution.

Mr. DOWNEY. I am not going to let you steal Mrs. Blumrosen's testimony. Thank you for your excellent presentation, Professor.

The committee would next like to hear from Associate Professor Ruth Blumrosen.

STATEMENT OF RUTH GERBER BLUMROSEN, ATTORNEY AND ASSOCIATE PROFESSOR AT THE GRADUATE SCHOOL OF MANAGEMENT, RUTGERS, STATE UNIVERSITY OF NEW JERSEY

Ms. BLUMROSEN. Good afternoon.

My name is Ruth Gerber Blumrosen.

I am an attorney and associate professor at the Graduate School of Management, Rutgers, the State University of New Jersey. For the past 20 years I have specialized in the area of labor law and equal housing and employment opportunity. During this time I have served as adviser to the U.S. Government, State and local governments, employers, unions and individual workers. Most recently I have been consultant to the Equal Employment Opportunity Commission and to its Chair, Eleanor Holmes Norton.

When I got involved in the problem of adapting unemployment compensation to work sharing instead of layoff it was as if I was closing a circle. I studied at the University of Michigan under Prof. William Haber who is one of the originators of the whole idea of unemployment compensation and then worked for the Michigan Unemployment Compensation Commission.

There I learned that it is as important to provide insurance when an employer decides to share the work as it is to insure against unemployment caused by layoffs. And in fact one of the major scandals of the unemployment compensation program at that time in Michigan, a situation which no longer exists, was that certain automobile companies would calculate how long an employee could work to no longer be eligible for unemployment comp, keep them on the payroll for that time—their 2 days, plus 3 hours—and then lay them off.

I thought at the time that those people should be entitled to some kind of compensation on a pro-rated basis and I think so today.

One advantage or disadvantage of being among the last people to appear before you is that you have already heard almost everything that can possibly be said, both pro and con, on the subject of work sharing and compensation.

There is not much point in repeating what others have so capably said. Instead, all the good things that have been said about H.R. 7529 I will now adopt for my own, and not only what has been said by the proponents but also I want to adopt and commend to you the factsheet which Representative Schroeder has been distributing because I think it answers a good number of the questions which people have raised about work sharing and compensation for it.

Briefly I support the proposed bill because I believe that work sharing is an innovative and useful approach to work, and that the concept of short-time compensation is one whose time has come.

The bill in seeking to encourage work sharing seeks to adapt New Deal programs to changing times. It allows for the use of already existing resources in new ways which have the potential for increasing the flexibility of employers and unions in work scheduling to minimize the impact on employment of production cuts.

The present structure of the unemployment insurance systems subsidizes unemployment and tends to force employers to layoff even when alternatives could be available. It will indeed be ironic if proposals that encourage the work ethic, keep people on the job to continue earning, learning, and building seniority security are frustrated while layoffs are encouraged and subsidized from the Federal purse.

Retention of the employment nexus is important as the gentleman from Motorola so cogently said. It is important to employers who are motivated by both humane and economic considerations to maintain an established work force; to unions which must consider the interests of all the workers, to workers for whom layoff is a euphemism being out of work and on the street, with all that that severing of the employment connection means. Less than a third of American workers have even limited recall rights, and many of them end up somewhere else.

You know what not having a job can do: loss of income, and job related benefits, break in the continuity of learning with consequent loss of skill and work habits, pressure from creditors possibly culminating in failure to pay the mortgage or loss of the car, physical and emotional stress than can lead to illness, the psychological loss of self esteem and status.

In some ways the most important loss is loss of access to credit. I have not seen this mentioned often. A person, even a person who is working part time is considered to be credit worthy and can get new credit, cars, bank loans, new mortgage. The person who is out of a job—a layoff for this purpose is considered out of a job—loses that access to credit.

Work sharing on the other hand has a potential for helping smooth the business cycle, by permitting management more flexibility, moderating income and credit fluctuations. This, according to Helmut Schmidt of West Germany has been the German experience. Germany—as well as most other industrialized, non-Communist bloc nations relies on compensated work sharing both as one of their anticyclical tools, and to cushion the transition for the workers when they are to be permanently terminated.

More importantly—and more persuasively—STC, basically, is a no-cost proposal. And at that price how can we go wrong? In seeking to encourage work sharing as an alternative to layoffs, the bill does not propose a mammoth expenditure of Federal funds. Instead—in keeping with the new ways of governance of the 1980's—it proposes new ways of using already existing resources. Since States may simply use the existing fundings and tax structure, and may prohibit any employee from collecting more compensation than they would have been entitled to if totally unemployed, there should be little or no additional cost because the employer chooses to work share instead of to layoff.

The leeway for experimentation by the States, though it harkens back to the original notion that the States should be laboratories, is also very much a concept of today, part of the thrust toward deregulation.

My interest in the possibilities of work sharing and other alternatives to layoffs date back to the fall of 1974, the last time the economy cranked down. The employment opportunity provisions of the Civil Rights Act of 1964 (title VII) prohibiting discrimination in employment had begun to have measurable effect on hiring and promotion practices by the end of the sixties. Between 1968 and 1973 minority and female employment expanded.

By 1974, however, the issues began to change. As we entered a recession, employers began to layoff. Often they used the principle of last-in-first-out. When they did the recently hired minorities and women aften recruited at great cost, were likely to be among the first to go.

During this time, my husband, Al, former Assistant Secretary of Labor Arthur A. Fletcher and I gave a series of EEO seminars to management officials. As the recession deepened and our students became more interested in cutting their work force than in recruiting or hiring, we began to grapple with the implications for affirmative action.

Increasingly, work sharing looked like a big part of the answer. By work sharing the gains made for women and minorities in nontraditional jobs could be preserved without subordinating senior white workers.

During that fall the concepts, later incorporated in an article Al and I wrote, were discussed in the seminars with more than 1,000 management representatives, as well as in consultations with private and governmental institutions, and with union and minority group representatives.

I would at this time like to submit for your record an extract from the article, "The Duty to Plan for Fair Employment Revisited: Work Sharing in Hard Times," 28 Rutgers Law Review 1028, published in summer, 1975.

[The material follows:]

THE DUTY TO PLAN FOR FAIR EMPLOYMENT REVISITED: WORK SHARING IN HARD TIMES

28 Rutgers Law Review 1082 (1975)

ALFRED W. BLUMROSEN[*]
RUTH G. BLUMROSEN[**]

I. TITLE VII AND GOOD TIMES

The initial application of the Equal Employment Opportunity provisions of the Civil Rights Act of 1964 took place during the prosperity of the mid-1960's.[1] The law began to have a measurable impact on employment opportunities for minorities and women around 1968. During this period the courts and agencies were primarily concerned with recruitment, hiring,[2] and promotion[3] practices in an economic context where opportunities were expanding. The objective of the law was to assure that minorities and women would have a fair share of these expanding opportunities. Prior experience had made it clear that expansion of employment opportunities without enforcement of equal opportunity laws would not significantly improve the position of minorities and women in the labor force.[4]

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[*] Professor of Law, Rutgers University; A.B., J.D., University of Michigan; Chief of Conciliations, Federal State Relations, EEOC, 1965-1967; Consultant to federal, state, and local agencies dealing with Equal Employment and Equal Housing Opportunities, 1967-1973; Advisor to governmental and private parties since 1973.

[**] Associate Professor, Graduate School of Business Administration, Rutgers University; A.B., J.D., University of Michigan; Acting Chief, Advice and Analysis, EEOC, 1965; Consultant on Employment and Housing Opportunity laws, 1967 to date.

The concepts discussed here evolved during the fall of 1974 from a series of seminars on Equal Employment Opportunity in which we participated with former Assistant Secretary of Labor Arthur A. Fletcher, from consultations with private and governmental institutions, and from several discussions with Commissioner Eleanor Holmes Norton of the New York City Human Rights Commission. These concepts were first discussed publicly on March 5-6, 1975, at a seminar on "Affirmative Action and Seniority in a Recessionary Period," sponsored by the National Urban Coalition in Washington, D.C. A preliminary version of this analysis, entitled *Layoff or Work Sharing: The Civil Rights Act of 1964 in the Recession of 1975*, was published in 1 EMPLOYMENT REL. L.J. 2 (1975).

[1] Title VII—Equal Employment Opportunity of the Civil Rights Act of 1964, §§ 701 *et seq.*, Pub. L. No. 88-352, 78 Stat. 253 (1964), *as amended* 42 U.S.C. §§ 2000e-1 *et seq.* (Supp. III 1973). The first major settlement under Title VII took place at a shipyard whose principal business was building naval vessels. This set the pattern for plant-wide adjustments now standard for government contractors under Executive Order No. 11246, 3 C.F.R. 339 (1965). *See* A. BLUMROSEN, BLACK EMPLOYMENT AND THE LAW ch. 8 (1971) [hereinafter cited as BLACK EMPLOYMENT].

[2] In 1968 we asserted that there existed under the law a "duty of fair recruitment." Blumrosen, *The Duty of Fair Recruitment Under the Civil Rights Act of 1964*, 22 RUTGERS L. REV. 465 (1968) [hereinafter cited as *The Duty of Fair Recruitment*]. Professor Meltzer, as hearing panel chairman in the *Allen-Bradley* case, held that such a duty existed under Executive Order 11246, prohibiting discrimination by government contractors. *In re* Allen-Bradley Co., OFCC Docket No. 101-68, CCH LAB. L. REP. ¶ 8605 (Dec. 17, 1968), *aff'd*, Secretary of Labor, Docket No. 101-68, CCH LAB. L. REP. ¶ 870 (Jan. 16, 1969). In 1969, the concept was endorsed by the Equal Employment Opportunity Commission. EEOC Decision No. 70,158, 2 F.E.P. CAS. 238 (Sept. 16, 1969), CCH EEOC DEC. ¶ 607-0 (1973) (unequal referral of job applicants by employment agency violates Title VII); EEOC Decision No. 70,300, 2 F.E.P. CAS. 338 (Nov. 18, 1969), CCH EEOC Dec. ¶ 6086 (1973) (preemployment standard of employee recommendation violates Title VII). In 1971 it was adopted by Eighth Circuit

The Supreme Court's adoption and use of the "effect test"[5] to define employment discrimination prompted employers to change recruitment practices, establish timetables for employment of minorities, and give long-service minorities and women the promotional opportunities which had been denied them. Under this test, "practices, procedures or tests neutral on their face, and even neutral in terms of intent, cannot be maintained if they operate to 'freeze' the status quo of prior discriminatory employment practices. . . . operat[e] to exclude Negroes. . . . [or] operate as 'built-in headwinds' for minority groups . . . ."[6]

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in *Parham v. Southwestern Bell Tel. & Tel. Co.*, 433 F.2d 421 (8th Cir. 1971). *See also* United States v. Sheet Metal Workers Local 36, 416 F.2d 123 (8th Cir. 1969). The Labor Department ordered the construction industry in Philadelphia to use goals and timetables for minority hiring. *See* Contractors Ass'n v. Secretary of Labor, 442 F.2d 159 (3rd Cir.), *cert. denied*, 404 U.S. 854 (1971). It also ordered all government contractors to develop goals and timetables to correct "deficiencies" and "under-utilization" of minorities. OFCC, Revised Order No. 4, 41 C.F.R. ch. 60-2 (1971). By 1973, several courts had approved the use of numerical standards or "goals and timetables" as an appropriate method of correcting discrimination in recruitment and hiring. *See, e.g.*, Carter v. Gallagher, 452 F.2d 315 (8th Cir. 1971). *See generally* Blumrosen, *Quotas, Common Sense and Law in Labor Relations: Three Dimensions of Equal Opportunity*, 27 RUTGERS L. REV. 675 (1974) [hereinafter cited as *Quotas, Common Sense*].

[3] *See, e.g.*, United States v. NL Indus., 479 F.2d 354 (8th Cir. 1973); Rowe v. General Motors Corp., 457 F.2d 348 (5th Cir. 1972); United States v. Bethlehem Steel Co., 446 F.2d 652 (2d Cir. 1971); Local 189, Papermakers v. United States, 416 F.2d 980 (5th Cir. 1969), *cert. denied*, 397 U.S. 919 (1970).

[4] *See* BLACK EMPLOYMENT, *supra* note 1, at ch. 1, Appendix to ch. 6.

[5] The Court adopted the test in *Griggs v. Duke Power Co.*, 401 U.S. 424 (1971). Chief Justice Burger defined discrimination as follows:

> [P]ractices, procedures, or tests neutral on their face, and even neutral in terms of intent, cannot be maintained if they operate to "freeze" the status quo of prior discriminatory employment practices.
>
> . . . The Act proscribes *not only overt discrimination but also practices that are fair in form, but discriminatory in operation.* The touchstone is business necessity. If an employment practice which operates to exclude Negroes cannot be shown to be related to job performance, the practice is prohibited.
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> . . . [G]ood intent or absence of discriminatory intent does not redeem employment procedures or testing mechanisms that operate as "built-in head winds" for minority groups and are unrelated to measuring job capability. The Company's lack of discriminatory intent is suggested by special efforts to help the undereducated employees through Company financing of two-thirds the cost of tuition for high school training. But Congress directed the thrust of the Act to the *consequences* of employment practices, not simply the motivation.

Id. at 430-32 (emphasis added).

On the general concept of discrimination under Title VII, see Blumrosen, *Strangers in Paradise:* Griggs v. Duke Power Co. *and the Concept of Employment Discrimination*, 72 MICH. L. REV. 59 (1972).

[6] Griggs v. Duke Power Co., 401 U.S. 424, 430-32 (1971).

This broad concept was adopted to assure, as the Supreme Court later said, "that childhood deficiencies in the education and background of minority citizens, resulting from forces beyond their control, not be allowed to work a cumulative and invidious burden on such citizens for the remainder of their lives."[7] The Court recognized "business necessity" as a justification for such otherwise illegal practices, but this concept has been narrowly construed.[8] The massive application of the effect test produced measurable results by 1973. Wattenberg and Scammon wrote in *Commentary* that year:

> . . . the sharpest relative gains in the last decade were made by black families under 35. If this pattern continues—and there is no reason to believe it will not—it will of its own weight continue to move the total black-white numbers closer to parity. . . . A black who enters the civil service, or a labor union, at age 25—because he had suitable education or apprenticeship training—will not only not lose ground as he ages, but will gain all the normal advantages of seniority.[9]

Similarly, Freeman analyzed the sixties and early seventies as follows:

> Specific groups of black workers—women, young men, young male college graduates—experienced especially large economic gains. By the 1970s black women had earnings as high as, or higher than, comparable white women in the country as a whole; young black male college graduates earned as much as their white counterparts; and the black-white income ratio for young men in general was 0.85, considerably above ratios in years past.[10]

Women workers as a whole also experienced a major increase in employment during the period, with the growth concentrated in the white-collar and service sectors. The number of women workers increased by nine million between 1960 and 1971, with one half of this increase representing workers under 25 years of age. "These figures suggest that women are indicating a far greater propensity to work and to avoid interruptions in their careers—changes partly induced by heightened demand for workers with white collar skills and further stimulated by the changing status and outlook of women during the preceding decade."[11]

But just as the country appeared to have settled the difficult question of the appropriateness of the use of goals or quotas for increasing equal opportunity hiring,[12] hard times set in—recession or depression depending on one's perspective, politics, or sentiments. Unemployment rates rose as employers, both public and private, began to focus on reduction in their labor forces. Characteristically, their attitude toward this reduction has reflected concern both for protecting the equity of the senior worker and for continuing efficiencies by selective layoffs.

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[7] McDonnell Douglas v. Green, 411 U.S. 792, 806 (1973).

[8] *See* note 27 *infra.*

[9] Wattenberg & Scammon, *Black Progress and Liberal Rhetoric*, 55 COMMENTARY 35, 41 (1973).

[10] Freeman, *Changes in the Labor Market for Black Americans, 1948-1972*, [1973] BROOKINGS PAPERS ON ECON. ACTIVITY 67, 118. *See generally id.* at 118-20.

[11] U.S. DEP'T OF LABOR, MANPOWER REPORT OF THE PRESIDENT 65-66 (1973).

[12] *See Quotas, Common Sense, supra* note 2.

Particularly where collective bargaining agreements exist, employers have emphasized length of service in connection with layoffs,[13] applying the last-in, first-out principle to reduce their labor force. Protection of senior employees has traditionally been a central objective of American unionism. It has helped humanize the work place and has allowed the worker to a limited extent to capitalize his labor, thereby obtaining something more than the day's bread in exchange for his humanly limited capacity to produce. Last-in, first-out preserves the fundamental equities of workers who devote their life energies to an employer. When it is applied in a market where minorities and women have only recently been hired, however, it threatens the gains they have made.[14]

Those with an historical perspective may recall that just about 100 years ago the legal gains for blacks won through the Civil War were sharply curtailed by the Compromise of 1877.[15] There has been a deep concern that, in our time as well, rights won in the 60's might be eroded in the 70's. Minorities and women might once again, as in World War II, be used as a reserve labor pool, to be called upon only during emergency or prosperity.[16] Such treatment would produce a special kind of bitterness among those who had but recently achieved the social, economic, and dignitary advantages of new work opportunities, now to be thrown back to unemployment lines, and ultimately to welfare.

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[13] Longevity is also recognized in the policies of nonunionized private firms and in civil service regulations.

[14] The U.S. Dep't of Labor News Release, The Employment Situation: March 1975 (Apr. 4, 1975), reported that unemployment had increased from 5.1 to 8.3 percent from the preceding year. White unemployment was up 3 percent while minority unemployment was up 4.5 percent; male unemployment was up 2.9 percent while female unemployment was up 3.1 percent. *Id.* at Table A. Unemployment of white males age 20 and above rose from 3.0 to 6.2 percent (up 3.2 percent), while unemployment of minority males age 20 and above rose from 6.6 to 11.8 percent (up 5.2 percent). *Id.* at Table A-2.

[15] C. VANN WOODWARD, REUNION AND REACTION (1951).

[16] Claims of workers to continuous employment relations with their employer were not recognized in precollective bargaining era, when contracts of employment were presumptively at will. Collective bargaining established a network of expectations concerning continued employment, arising out of seniority provisions respecting layoff and prohibitions on discharge except for just cause. When these expectations were modified by company-union amendments to the collective bargaining agreements, a legal issue arose as to the conditions under which the expectations of the workers could be defeated. One of the earliest cases concerning the nature of such claims arose during the depression of 1929, when a company and a union negotiated a change in the seniority system to require the discharge of married women. This agreement was upheld by the Michigan Supreme Court. Hartley v. Brotherhood of Ry. & S.S. Clerks, 283 Mich. 201, 277 N.W. 885 (1938). Such a provision would now, of course, be illegal. *See* Phillips v. Martin Marietta Corp., 400 U.S. 542 (1971).

The initial result of the conflicting equities was indecision. In the spring of 1975, while the President was predicting an unemployment rate close to eight percent through 1977, federal, state, and local agencies were considering guidelines to shape a resolution of the problem.[17] Employers were caught in the middle. They were subject to possible liability under equal opportunity laws if they followed the principle of last-in, first-out and to possible liability under collective bargaining agreements if they did not. A few employers, unions, and minorities turned to the courts, which gave conflicting answers.[18] But the imperatives of the economic situation would not await the stately pace of legal resolution. 1975 began with massive layoffs by employers, frequently following the last-in, first-out principle.

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[17] In January 1975, the New York City Commission on Human Rights adopted the following "Interpretative Memorandum" concerning procedures required by federal, state, and local anti-discrimination laws when an employer is planning a reduction in labor costs that could result in layoffs:

> A. Employers faced with the necessity to reduce the numbers of hours worked shall conduct said reduction in accordance with the principles of *Griggs v. Duke Power Co.*, 401 U.S. 424 (1971).
> B. Where employers have only recently hired minorities and women in significant numbers in jobs, departments, other units or subdivisions of work, any reduction of hours which is accomplished by laying off the most recently hired will have an adverse effect on such minorities and women compared with earlier hired personnel.
> C. Under these circumstances the principle of *Griggs v. Duke Power Co.* requires that an employer determine whether there is any feasible way of reducing hours worked which will not have said adverse effect or will have lesser adverse effect. If such an alternative can be identified, for example, reduction of personnel costs other than wages, or institution of a four-day week for all workers, then such alternative must be adopted.
> D. Where there exists no feasible alternative to alyoffs, then the use of layoffs may constitute a business necessity under *Griggs v. Duke Power Co.*
> E. However, even in conducting layoffs based on business necessity, the employer is required to minimize the adverse effect on minorities and women. He may do this by, for example, seeking volunteers to take a temporary leave, or conducting the layoffs on a rotating or alternating basis.

New York City Comm'n on Human Rights, Interpretive Memorandum, Jan. 1975.

[18] *Compare* Watkins v. Steelworkers, Local 2369, 10 F.E.P. Cas. 1297 (5th Cir. 1975); Jersey Cent. Power & Light Co. v. IBEW, 508 F.2d 687 (3d Cir. 1975); Waters v. Wisconsin Steel Works, 502 F.2d 1309 (7th Cir. 1974) (upholding the use of last-in, first-out even though minorities or women adversely affected) *with* Schaefer v. Tannian, 10 F.E.P. Cas. 897 (E.D. Mich. 1975); Chance v. Board of Examiners, 10 F.E.P. Cas. 1023 (S.D.N.Y. 1975); Loy v. City of Cleveland, 8 F.E.P. Cas. 614, 617 (N.D. Ohio 1974).

See also Williamson v. Bethlehem Steel Corp., 468 F.2d 1201 (2d Cir. 1972), *cert. denied*, 411 U.S. 931 (1973) ("recall privileges after an extended layoff which operate to the residual disadvantage of black workers who had been discriminated against by a seniority system can violate Title VII . . . ."); *id.* at 1205; Rowe v. General Motors Corp., 457 F.2d 348 (5th Cir. 1972):

> . . . Starting with the 1962 plant segregation and the policy of layoffs and rehirings on some sort of "seniority" basis, the disadvantage suffered by the blacks hired after 1962 in layoffs and rehiring is the direct result of the prior segregation policy. This is to make Blacks continue to suffer long after 1965, the effect of race discrimination long after Congress has forbidden it either in current application or as some sort of reincarnation of days gone by. Although GMAD [G.M.'s Atlanta Plant] could rightfully consider the position of Whites who had been laid off for these reasons it could not—without more at least—treat the recently hired and governmentally twice emancipated Blacks as persons who once again had to go to the foot of the line.

Id. at 358.

Faced with inaction by administrative agencies and conflict among the courts, it became imperative to find a solution which comported with fundamental principles of equal employment opportunity law and the legal and human realities of labor relations. During the first decade under Title VII, the country had not faced the question of equal employment opportunity in hard times. The highly developed body of law dealing with an expanding economy gave little guidance in a recession. The problem was a new one in the interpretation of the statute. It was therefore unfortunate that the first cases arising in connection with the recession dealt with the principle of last-in, first-out rather than the question of whether any layoff was proper. The focus on "last-in, first-out" set the stage for a conflict between "labor union" and "civil rights" interests which would shed far more heat than light. More importantly, it obscured the underlying issue of the employer's responsibility to plan operations to provide equal employment opportunity in a declining work force situation.

Once this issue is exposed and resolved, the "layoff problem" is reduced to manageable proportions. We conclude that the employer has a duty to plan operations to provide equal employment opportunity and that compliance with this duty will minimize the potential conflict associated with the layoff problem. [19]

* * *

II. THE DUTY TO PLAN FOR FAIR EMPLOYMENT REVISITED

In 1971, we suggested that there was a "duty to plan for fair employment" implicit in Title VII.[20] Now, four years later, we believe that the duty has been sufficiently recognized so that it constitutes a basic premise in the analysis of the problem of reduction in hours.

The starting point remains *United States v. Hayes International Corp.*[21] The company, which had previously restricted black workers to subordinate jobs, had received a contract to repair military aircraft. The United States sought a preliminary injunction to require the employer to use the new employment opportunities thus created to improve the position of the black workers. The preliminary injunction was refused by the district court. The court of appeals reversed, holding that it was error to refuse the injunction where the government had established a prima facie case of discrimination.[22]

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[19] For a summary of industrial experience, see U.S. Bureau of Labor Statistics, Dep't of Labor, Bull. No. 1425-13, Layoff, Recall and Worksharing Procedures (1972) [hereinafter cited as Layoff, Recall and Worksharing Procedures]. See also Slichter, Healy & Livernash, The Impact of Collective Bargaining on Management, ch. 6 (1960).

[20] Blumrosen, *The Duty to Plan for Fair Employment: Plant Location in White Suburbia*, 25 Rutgers L. Rev. 383 (1971).

[21] 456 F.2d 112 (5th Cir. 1972).

[22] *Id.* at 120.

This decision foreshadowed a general duty on the part of employers to adapt their practices in new situations to the requirements of equal employment opportunity. In *Hayes*, the requirement was to open new opportunities for incumbent employees previously restricted because of race. Employers in the construction industry who acquire a new work force on each construction job constantly encounter such new work opportunities. Decisions arising out of this setting make clear that the employer must plan the allocation of these job opportunities to provide for fair employment.[23]

New employment opportunities arise in other industries as well. All of the "seniority cases" hold that employers must revamp their promotion practices to assure that these new opportunities are made available on a basis which does not perpetuate past discrimination.[24] These cases represent the converse of the "layoff problem" because they involve minorities and women who are senior in terms of plant service, but are subordinated to later hired whites by departmentalized seniority systems. The cases hold that promotional opportunities and order of layoff for these minorities and women must be planned to recognize their relative plant seniority over later hired whites and males. The recruitment and hiring cases, involving "goals and timetables," "affirmative action," or "quotas," also require that an employer plan expansion of his work force so as to assure equal employment opportunity.[25]

The clearest illustrations of the duty to plan for fair employment arise in connection with the issue of business necessity. In *Griggs v. Duke Power Co.*, the Supreme Court defined discrimination as conduct which had an adverse impact on minorities or women and was not justified by business necessity.[26] In asserting the defense of business necessity, employers have argued that particular adverse impacts were permissible because they could not effectively conduct their operations without such an impact. In assessing this defense, the courts have passed explicitly on the employer's plans for the conduct of the enterprise and have, on occasion, pointed out to employers how they could reduce the adverse impact and still carry out their operations.[27]

The *Griggs* principle necessarily reaches the employer's planning functions. Duke Power Company's plans to develop a "generally able" work force led it to adopt high school diploma and testing requirements.

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[23] *See, e.g.*, Contractors Ass'n v. Secretary of Labor, 442 F.2d 159 (3d Cir.), *cert. denied*, 404 U.S. 854 (1971); United States v. Sheet Metal Workers Local 36, 416 F.2d 123 (8th Cir. 1969); Local 53, Asbestos Workers v. Vogler, 407 F.2d 1047 (5th Cir. 1969).

[24] *See* United States v. NL Indus., 479 F.2d 354 (8th Cir. 1973); Rowe v. General Motors Corp., 457 F.2d 348 (5th Cir. 1972); United States v. Bethlehem Steel Co., 446 F.2d 652 (2d Cir. 1971); Local 189, Papermakers v. United States, 416 F.2d 980 (5th Cir. 1969).

[25] See cases and material cited in note 2 *supra*.

[26] 401 U.S. 424, 431 (1971).

[27] The "minimum adverse impact principle" is outlined in *Head v. Timken Roller Bearing Co.*, 486 F.2d 870 (6th Cir. 1973): (quotation omitted)

The Court found that these plans could not justify the adverse impact created by their execution. Thus, wherever an employer practice or procedure is condemned under the *Griggs* principle and not saved by the business necessity defense, there is a rejection of an employer's plan for carrying out his business and a judgment that the employer could have achieved his business objective without inflicting such harm on minorities and women.

Where the employer has planned his activities in accordance with then applicable law, however, he has received judicial support. For example, in *Parham v. Southwestern Bell Telephone Co.*,[28] the employer's successful plan to increase minority employment earned him immunity from injunction. In *Manning v. International Union*[29] the employer was confronted with the then unclear mandate of Title VII to avoid sex discrimination and the demands of state law restricting female employment opportunities. During this period, when the law was not clear enough to guide the employer's planning, the Sixth Circuit held that the employer need not respond in damages to the female employees who were disadvantaged.[30]

From this welter of cases emerges the general proposition that all employer practices, and hence all plans for conduct of the enterprise, are to be scrutinized if they adversely affect minority and female employment opportunities.[31] This course of decision was confirmed by Congress in the 1972 amendments to Title VII.[32] The employer has a general obligation to take account of the impact on the classes protected by Title VII in all managerial decision-making. We must now analyze that obligation in the situation where an employer is required to reduce hours of work.

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[28] 433 F.2d 421 (8th Cir. 1970).

[29] 466 F.2d 812 (6th Cir. 1972), *cert. denied*, 410 U.S. 946 (1972).

[30] *Id.* at 816.

[31] This conclusion necessarily follows from the recognition that it is the operation of systems of industrial relations which have discriminatory impact, and that a change in the nature of the system, and hence a change in planning, may be required to eliminate the discriminatory effect. As the Senate Committee report prior to the 1972 amendments stated:

> In 1964, employment discrimination tended to be viewed as a series of isolated and distinguishable events, for the most part due to ill-will on the part of some identifiable individual or organization. . . . Experience has shown this view to be false.
>
> Employment discrimination as viewed today is a far more complex and pervasive phenomenon. Experts familiar with the subject now generally describe the problem in terms of "systems" and "effects" rather than simple intentional wrongs, and the literature on the subject is replete with discussions of, for example, the mechanics of seniority and lines of progression, perpetuation of the present effect of pre-act discrimination practices through various institutional devices, and testing and validation requirements.

S. REP. No. 92-415, 92d Cong., 1st Sess. 5 (1971) (footnote omitted).

[32] *See* Hart & Sape, *Title VII Reconsidered: The Equal Employment Opportunity Act of 1972*, 40 GEO. WASH. L. REV. 824 (1972).

III. TITLE VII IN HARD TIMES: REDUCTION OF HOURS OF WORK

A. *Work Sharing Avoids Adverse Effects*

Under the impact of recession, employers may be pressed to reduce the hours of work either as a general economy move created by a squeeze between higher costs and a sluggish market or as the result of reduced demand for the product or service which, in the case of a product, may have led to a buildup of inventory, consequent warehousing problems, and downward pressure on price. We will concentrate on the case of a reduction in demand which is translated into a need to reduce production and, consequently, to reduce hours of work.

Under the principle outlined in the preceding section—that an employer has a duty to plan his activities so as to provide for fair employment—the reduction of hours must be carried out in a manner which does not have an adverse effect on minorities and women unless the effect is justified by business necessity. Thus the employer is required to assess the probable effects of various methods of reducing hours.

Hours reduction can be accomplished by a variety of methods which can be used separately or in combination.[33] The employer may reduce or eliminate his dependence on part-time help—provided that this does not have an adverse impact—and his reliance on overtime. He may seek volunteers for short term leaves of absence or early retirement. These approaches normally do not pose Title VII problems and comport with modern concepts of industrial relations, provided the employer maintains an appropriately skillful and efficient work force.

In times of recession, however, workers may be more reluctant to indulge their personal desires and more likely to prefer steady work and income. Thus the employer may have to impose a specific practice or procedure to accomplish the needed reduction of hours. He usually does so either by distributing available work among the employees or by laying off some employees and allocating the work to the others.

Once an employer has examined the probable impact of either method of reducing hours, he can assess whether he is about to commit a Title VII violation. There are two traditional methods of layoff which may have the adverse effect proscribed by Title VII. One is to lay off employees on a last-in, first-out basis. This will have an adverse effect where the company has but recently begun to hire minorities and women. Another is a selective layoff, retaining the "most efficient" workers. This may produce the proscribed effect if it lays off a higher proportion of minorities and women than of other employees.[34] In addition, a "selective layoff" approach may offend the age discrimination act if it has an adverse impact on older workers.[35]

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[33] For a description of the industrial experience, see LAYOFF, RECALL AND WORK-SHARING PROCEDURES, *supra* note 19. See also SLICHTER, HEALY & LIVERNASH, THE IMPACT OF COLLECTIVE BARGAINING ON MANAGEMENT ch. 6 (1960).

If a layoff would produce an adverse impact, the employer is obligated to plan to achieve his business objective in some other manner. Obviously, reduction in the hours worked by *all* employees would not have an adverse impact and is thus the preferable way of meeting the requirements of Title VII. Such work sharing can take many forms: for example, the closing of a production facility altogether for a period of time; or a reduction in the hours worked by all employees, as by using a shorter work week or a staggered work week.[36]

What problems will an employer face if he opts for a work sharing approach to reduction of hours? A nonunionized employer in the private sector who has not bound himself by individual contract to any specified work period faces no legal problems. He may, however, face human relations problems if informal expectations of maintenance of work schedules have developed. Such expectations must yield to the requirements of Title VII. An employer in the public sector may face problems arising out of the generally more rigid work conditions established by civil service regulations and/or collective bargaining. These requirements are also subject to Title VII.

B. *Work Sharing May Be Compatible With Collective Agreements*

A Department of Labor study of collective bargaining agreements reveals that 25 percent provide for some sort of work sharing,[37] while another study suggests that about ten percent of agreements have wage-employment guarantees.[38] These data indicate that about 90 percent of collective contracts do not provide for a guaranteed work week, and that there is, therefore, no express requirement of maintenance of hours for senior employees, which might be violated by a work sharing approach.

If the contract language does not clearly guarantee specific numbers of hours to senior employees, it may permit the employer to adopt work sharing, using one of the techniques described above. An employer would obviously prefer to avoid the adverse impact of a layoff and thus comply with Title VII by a method which is compatible with his collective bargaining obligations.

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[34] *See* EEOC Dec. 75-251, 10 F.E.P. Cas. 1405 (May 8, 1975). Similarly, an "experience" requirement, used to allocate employment opportunities where minorities have not had the opportunity to obtain the experience or where it is a pretext for a length of service requirement in a context where minorities have been denied certain kinds of work opportunities, has been invalidated. *See, e.g.*, Rowe v. General Motors Corp., 457 F.2d 348 (5th Cir. 1972); United States v. Jacksonville Terminal Co., 451 F.2d 418 (5th Cir. 1971).

[35] *See, e.g.*, Hodgson v. Greyhound Lines, Inc., 499 F.2d 859 (7th Cir. 1974), *cert. denied sub nom.* Brennan v. Greyhound Lines, Inc., 419 U.S. 1122 (1975).

[36] *See* Layoff, Recall and Worksharing Procedures, *supra* note 19.

[37] *Id.*

[38] U.S. Bureau of Labor Statistics, Dep't of Labor, Bull. No. 1425-3, Supplemental Unemployment Benefit Plans and Wage Employment Guarantees 62 (1965) [hereinafter cited as Unemployment Benefits].

Where a collective contract does not expressly guarantee a certain number of hours of work for senior employees, the question of whether such a guarantee is to be implied from a last-in, first-out layoff clause has been raised before arbitrators in a number of cases. A flurry of reported arbitration opinions on this question arose out of the recession of 1958-1960.[39] An analysis of these cases reveals a mixed set of arbitral opinions. Where the contract is clear, the arbitrators follow it. Where it is not, the decisions vary, depending on: (1) the arbitrator's conception of whether work sharing and layoff are closely related activities;[40] (2) the arbitrator's deference to the "management prerogative" to schedule production;[41] and (3) the arbitrator's sensitivity to the importance of the perquisites of seniority.[42]

Many of these cases arose in the period immediately preceding the passage of Title VII. Thus we can conclude that the question of whether work sharing was impliedly prohibited by a last-in, first-out seniority clause was not settled in the industrial relations community at the time of the passage of the act. The "common law of the shop" reflected differing views based on different arbitral weighing of the policy factors involved. Certainly, if the contract as construed does not guarantee work to senior employees, Title VII may not be construed to give them greater rights at the expense of recently hired minorities and women.

* * * * * * * * *

It is obvious that the entire set of problems created by the recession cannot be addressed simply by dealing with the layoff problem. Larger issues, such as the question of the four-day week in general, the revision of unemployment compensation systems, and the adoption of "full employment" policies, are obviously crucial in dealing with the overall problem. Nevertheless, the layoff issue may be the cutting edge of larger national solutions. The adoption of the underlying concept that the only fair way to handle the recession is to require a sharing of its burdens will facilitate national solutions to related issues. Conversely, if the burden is allowed to rest on the weak, the recently emancipated minorities and women, there is a genuine risk that it will remain there permanently.

This is not an acceptable solution: "The ethic which permeates the American dream is that a person may advance as far as his talents and his merit will carry him. And it is unthinkable that a citizen of this great country should be relegated to unremitting toil with never a glimmer of light in the midnight of it all."[91]

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[39] *See, e.g.*, Cook Mach. Co., 35 Lab. Arb. 845 (1960); Motch & Merryweather Mach. Co., 32 Lab. Arb. 492 (1959).

[40] "A layoff and a reduction in hours are clearly two different things." Rex Chainbelt, Inc., 52 Lab. Arb. 852, 856 (1969). *See also* Basic, Inc., 31 Lab. Arb. 933 (1958). *But see* Kennecott Copper Corp., 32 Lab. Arb. 244, 247 (1959) ("By instituting a shortened work week below a standard five-day week, the company in effect has avoided many gains a senior employee has acquired through length of service."). *See also* Morris Mach. Works, 40 Lab. Arb. 456 (1963); Line Material Indus., 35 Lab. Arb. 936 (1960).

[41] For cases emphasizing management prerogative clause, see Lear Siegler, Inc., 58 Lab. Arb. 984 (1972); Struthers Wells Corp., 34 Lab. Arb. 372 (1959); Blaw-Knox Co., 32 Lab. Arb. 746 (1959); Basic, Inc., 31 Lab. Arb. 933 (1958); Nolte Brass Foundry Co., 24 Lab. Arb. 874 (1955). All these cases refuse to imply an obligation to lay off rather than reduce hours.

[42] For cases emphasizing seniority interests and implying an obligation to lay off when necessary to preserve senior employees' work opportunities, see Line Materials Indus., 35 Lab. Arb. 936 (1960); Motch & Merryweather Mach. Co., 32 Lab. Arb. 845 (1960); Kennecott Copper Corp., 32 Lab. Arb. 244 (1959).

[91] Miller v. Int'l Paper Co., 408 F.2d 283, 294 (5th Cir. 1969).

Ms. Blumrosen. The underlying principle of both unemployment compensation laws and the civil rights laws is that employers have a responsibility to plan their work requirements so as to minimize unemployment and to provide equal employment opportunities. Work sharing can help achieve both objectives. Work sharing redistributes the burden of unemployment, assures that more are employed, maintains the dignity associated with work, keeps work habits and skills intact and protects gains made through affirmative action programs.

However, though "more" continue to work under work sharing they do so for less time and thus for less money. Moreover, most State unemployment laws only provide insurance against unemployment that is almost total. That has been the rub. Work sharing, unlike layoffs, has tended to put the whole risk of reduction in hours worked on the workers. No wonder there has been opposition from labor representatives. The short-time compensation bill (H.R. 7529) is a step to meet this concern.

One of the chief purposes of employment insurance was to make part of the cost of unavoidable unemployment a charge on the general public. This was to be accomplished through the variable payroll tax. Since the tax varies according to a firm's unemployment experience, in theory it was supposed to encourage employers to schedule production to avoid or minimize unemployment while passing on to the consumer in the form of higher prices the cost of the unemployment that did occur.

Thus it is particularly ironic that the consequence of the operation of the UI systems has been to subsidize unemployment, while discouraging work. Yet that is what happens. If an employer decides that a 20-percent cut in labor costs and production is needed and fires 20 percent of the labor force, unemployment insurance covers that kind of unemployment. But if, instead, the employer cuts back 20 percent by going from 5 day's work to 4, that kind of unemployment is not covered. Thus, to prevent the total cost of the cutback from falling solely on the workers concerned unions and employers usually reject worksharing, despite its apparent virtues.

In addition this bill is needed to clarify any doubts in either the Federal or State implementing agencies that employer-union efforts to schedule work and layoffs to dovetail into State UI requirements is consonant with the purposes of UI and should not be considered collusion or fraud. Many collective bargaining agreements today permit worksharing.

Some employers who need to cut labor costs or inventory now use alternatives to layoffs as a matter of course. Others could and, with proper encouragement, would be able to spread the work so none need be laid off. This can be done in many ways depending on the exigencies of the business. Creative and innovative planners have used reduction in days of the week and hours of the day, shut down entire plants for a short time, used vacations, alternated and rotated layoffs, kept everyone on the payroll and sent some out to do public service.

Such scheduling of work and layoffs so employees can be eligible for UI seems to be perfectly consonant with the basic purposes of UI. However, I have recently heard that at least one State UI official thought that such attempts amounted to collusion and fraud in violation of State UI laws.

I suggest that if the proposed bill did no more than clear the air and dispell such notions it would be worth passing.

While the onset of hard times in 1974 illustrated once again how vulnerable minorities were to the ebb and flow of the economy, the impact of layoffs is no longer predominantly a minority problem. Three other groups must be considered: women, the young—the median age of the work force now is about 30—and the elderly.

During the last few years many women have taken nontraditional jobs which historically have been more susceptible to cyclical layoffs than traditional women's jobs. It is likely that this recession will wipe out much of this gain if last-in, first-out is the usual response. The elderly, too, tend to be high risk * * * not because they are last in, but because employers' concern for continuing efficiencies often takes the form of selective layoff of the older, more expensive workers.

Finally, since the last recession, the baby boom kids hit the job market. Thus, compensation for time lost because of work sharing in lieu of layoff is a matter of concern to many constituencies.

Though I strongly support the bill, as far as it goes, I suggest it does not go far enough.

One, it provides that States may require employers with "negative accounts" to reimburse the fund for costs attributed to work sharing. I see no reason to treat unemployment due to work sharing differently than that due to layoff. If the problem is that some employers have high rates of unemployment and so in effect get a free ride once the maximum tax has been reached, the solution is to raise the maximum tax so these employers will pay their way.

The way the proposal now reads an employer at the top tax rate is penalized for work sharing but not for layoffs.

Two, the demonstration project may be unnecessary. Since 1974–75, there have been exhaustive studies concerning short-time compensation by the Department of Labor. European experience has been surveyed, conferences held and experiences on scheduling and negotiation exchanged. California—acting as a laboratory—has provided 2 years of practical experience. Even if other States thought it desirable to wait until the California evaluation was complete, that should have no effect on the speed with which Congress should pass this bill to assist States which want to proceed. I understand that several States are interested in making this option available.

Since 1974 there has been enough talk, what is needed is to begin. I would be inclined to have the Secretary of Labor allocate all available moneys directly to States who are implementing short-term compensation for administrative costs of development, tooling up and implementation. The Secretary of Labor would still be required to report on the progress and to evaluate the various plans, problems, and questions in the course of developing and implementing State programs.

Moreover, the chances for error are minimized by this proposal since it is merely permissive. It doesn't mandate or require anything. It simply "encourages," it doesn't force, States "to permit short-term compensation if an employer and union (where appropriate) opt for the program. It does not invent or require work sharing. Work sharing exists. This bill would simply allow unemployment insurance to cover the resulting unemployment and encourages States to do so.

There are two other points I would like to make—not on the short-time compensation bill—but on the two bills authorizing the extension of federally funded unemployment compensation.

One, there is language in both bills, in the definition section which is antiethical to the concept of compensation for work sharing related partial unemployment. Even if Congress should decide not to affirmatively endorse the concept of short-time compensation, it should not now make adoption of short-time compensation by the States more difficult, or take action which could be used by the States or Federal agencies to prohibit the kinds of work sharing and dovetailing into the compensation system now possible.

Two, since Federal money will supplement present unemployment insurance, Congress may require the States make it available for short-time compensation. It should do so. Thank you.

Mr. Downey. Thank you, Professor Blumrosen.

Congressman Rangel.

Mr. Rangel. Professors, I understand from the testimony today that the only thing that the Federal legislation can do is to provide funds for tooling up for State legislators to decide whether or not they want to get involved.

Ms. Blumrosen. As I understand it, that is the purport of the Schroeder bill, that is right, to help a State develop and implement STC, and to encourage States to do so.

Mr. Downey. Does staff have any questions?

The committee would next like to hear from Veronica Callender, a member of the Philadelphia Unemployment Project.

STATEMENT OF VERONICA CALLENDER, MEMBER, PHILADELPHIA UNEMPLOYMENT PROJECT

Ms. Callender. My name is Veronica Callender. I am a member of the Philadelphia Unemployment Project, an organization of unemployed workers in Philadelphia, Pa. I am also a member of UAW Local 1695. I have been laid off from Philco-Ford Co., in Lansdale, Pa., since November 1979.

I am here on behalf of millions of unemployed people in this country to demand an extension of unemployment compensation to 52 weeks in States with high unemployment. This is not asking for very much right now. This is no more than what we need.

Where I worked at Philco we have lost almost three-fourths of our workers in the past year. A year ago we had 2,000 employees and now we are down to 583. This is happening all over Philadelphia and from what I see on the news, it is happening all over the country, also.

We are talking about real people losing their jobs. People who have families and mortgages and car payments to make such as myself and when they can't make car payments, even more autoworkers like me get laid off. I am here along with other unemployed workers from Philadelphia to make sure that you Representatives don't forget that the unemployment statistics represent people and not just numbers.

People are running out of their compensation every day. It is no fun to face the last unemployment check when you still haven't found a job. I'm sure that none of you on the panel have ever been in that situation. It is humiliating to be forced to apply for welfare. In

Pennsylvania, homeowners, like myself, have to sign a lien against their property to get assistance. If you have children, like I do, a birth certificate is not enough proof that they are yours. You have to go to a neighbor or a doctor for a note saying that the children are yours. This is degrading.

Unemployed people don't want all of this. We don't even want an extension. What we really want are decent jobs to raise our families in a decent way. But, you all know that isn't possible now in this country, especially in cities like Philadelphia. Jobs are very hard to find. I have worked at Philco for about 9 years. Many factories in our area have closed during that time. They have moved out to the South or overseas. Philadelphia has lost over 135,000 jobs in the last 10 years and 107,000 have been factory workers.

Where are we supposed to find jobs when our plants close or move?

We are trying and looking for work, but things keep getting worse. More people are getting laid off every day. What makes me mad is that this is what the Government has been trying to do for a long time, cause a recession. That is the way you want to stop inflation. Well, if the unemployed are needed to fight inflation, then we deserve combat pay. I mean we need a 13-week extension to keep us half decently paying our bills until the jobs are here.

We shouldn't have to suffer for the whole economy without any help. Because, I'm telling you, people aren't going to take this forever. If we don't get decent jobs or benefits there is going to be a lot of trouble from people who are tired and frustrated and mad.

I am glad to be here to tell it like it is for the real people. Don't forget us when you vote on this extension.

I am here and like I said I have been unemployed since 1979 and it is very rough as far as my kids and my home, getting unemployment, getting it on time. My bills have been piling up and my income has been cut off, so it is kind of rough and I talked to a lot of people at the unemployment office and they are very disgusted. They just feel it is going to be a riot if something isn't done.

Things are getting very rough and it is very bad—very bad.

Mr. Downey. Are these folks also from the Philco-Ford plant in Philadelphia?

Ms. Callender. Some of them are.

Mr. Downey. Would you identify for the record the two people who have accompanied you today?

Ms. Callender. This is Ms. Rohrer.

Ms. Rohrer. I am from Ford too. I don't get any check. My last check ran out last week. I opened up a new claim and they said I was not entitled to it because I did not work at all and I have got laid off in June of last year and I did not work during the period that I was laid off because they did not recall me. So they said I am not entitled to it. Then I went to the welfare and they want me to sign my house over.

My house is paid for and I don't feel I can sign my house over to them when I worked all my life for that. It is very hard. I called all my bill collectors and got extensions in a couple of weeks. Now the TRA is tied up. They said it passed the House and it is in the Senate so we are waiting for them to sign it.

Mr. **Downey**. The news on the TRA fund I am afraid is not very good either.

Sir, have you also worked for the same plant?

Mr. **Kochel**. I work for a like company. My name is Kochel but I am one of the lucky ones. I work a week, I am off a week, I work a week. Of course the Japanese keep going and pretty soon I will be like that woman over there. I will be looking for where the next check will come from. Somebody better do something is all I have to say.

Mr. **Downey**. Mr. Rangel and I certainly are sensitive to people who are unemployed. I personally have seen what it can do to a family. My father lost his job for a long time. When his job went out it had a devastating effect on my family. We will do whatever we can to try to help you but we are just 2 of 435 and there are a lot of places in this country where there are folks who are not laid off, where things are prospering and those people tend to identify with the problems from their own area. But we will do what we can to make sure compensation is moved along and that you don't have to apply for welfare.

I think it is dastardly that you have to sign over your house to receive unemployment compensation or that you have to go through the degrading process of proving your children are your children. Sometimes we have to make compromises to make sure there are welfare programs.

I want to thank you all for your testimony and for making the trip down here. It certainly was worthwhile for the committee. It is important to hear from experts, but it is also important to understand what it is like to be unemployed and to see the people who are unemployed; so your voices have not fallen on deaf ears, and I want to thank you for your very, very fine testimony.

Mr. Rangel?

Mr. **Rangel**. Thank you, Mr. Chairman.

I want to thank not only the witnesses but also those who have come down with their bodies and their signs and their silence and their hurt and the pain that we know you are going through. Both the chairman and I recognize a lot of this has to do with the unsound economic policies that this administration and this country are following. They incorrectly believe that loss of work and loss of jobs in some way will lessen inflation. It seems to me that what you have testified and what is in the record is that you can't compensate for the loss of dignity, the loss of homes and the loss of really what amounts to the American dream, when you destroy a person's ability to work.

So, I join with the Chair in saying that we are sensitive to this. We can't overemphasize some of the thought that goes on in this Congress, how people sincerely believe that the military power compensates for people's dignity.

We both are from the New York area and we find every day that New York is not the Congress and you probably know that Philadelphia is not the Congress, notwithstanding the great job that Congressman Bill Gray is doing down here.

So we have a lot of turning around to do in our local communities. We have to let the people know we are registered, we are voting and that we are angry. And I think that you have set an example by at least coming to your country's Congress first and saying that you are making a plea, you are stating your grievance in the way we are supposed to do it here when it reaches the point that the people just have nothing more to lose. Nobody can better understand the plight that you are in than we, and we hope that we can communicate the feelings you expressed here today to our colleagues on the floor in order to prevent anything from happening that would not improve the quality of life of all of our citizens.

So, I sincerely thank you for coming down.

Ms. ROHRER. Do you think they will reconsider and give us an extension?

Ms. CALLENDER. I think we do need extension.

Mr. RANGEL. It is hard for us to tell you the hypocrisy that actually takes place on the House floor in order for people to get reelected. Apparently people can get reelected by saying they balance the budget without even explaining what they did to balance it.

But now that we have gone through that exercise and now that the unemployment figures are going to show that we are not just talking about blacks and Hispanics who are hit, but we are talking about a good majority of Americans who have been hit by this policy—I am convinced that balancing the budget is no longer the political priority that it used to be, and if they want to keep this country together they are going to have to redirect their attention to the unemployment problems.

How that is going to be interpreted, whether it is going to be in economic development, grants, extension of unemployment insurance, creating public jobs, I don't know; but I know that if the country is going to survive it can't do it without its people and the emphasis has to be on economic stability rather than what the Russians are doing in Afghanistan.

Ms. CALLENDER. I figured by putting our politicians in, we were going to get some help.

Mr. RANGEL. The problem, as I say, is people who have been adversely affected by politicians don't know how to get them out. Getting in is no problem; it is getting people together to get them out. I don't know what your organization does, but if voter registration were a part of it and if carrying a voter's registration card or whatever they give you in Pennsylvania is part of it—you just take my word for it—you can get more of a politician's attention today with a voter registration card than you can with a sign, and if they ever peephole your card and find out you are not registered, they won't even bother to read your sign.

Ms. ROHRER. They always say, "Vote for me; I am going to do so and so." As soon as they get in there, they don't look at you.

Mr. RANGEL. They check where you live and they check your precinct and they check whether you vote or whether you don't.

Ms. ROHRER. Then you don't see them until registration and voting time.

Mr. RANGEL. What I am saying is, the poor people in this country have given up on the system to such an extent that they don't register and they don't vote and I am saying that while the chairman and I would like to consider ourselves among those members who do what is morally right, he has a voter registration book in his office and I have one in my office, and it is just political habit to see how people are registered and how they are voting.

It is a habit. You can't get out in the general public and say politicians don't listen to us after they get into office. You have to find out what you did to get them in and what you can do to get them out. If you are not registered, you can't do very much. Thank you, Mr. Chairman.

Mr. DOWNEY. I want to thank all of you for coming here and adding some flesh and bones to the statistics of unemployment. Thank you very, very much.

The subcommittee stands adjourned until the call of the Chair.

[Whereupon, at 3:10 p.m., the hearing was adjourned.]

[The following was submitted for the record:]

STATE OF NEW YORK,
EXECUTIVE CHAMBER,
Albany, July 3, 1980.

Hon. JAMES CORMAN,
Chairman, Subcommittee on Public Assistance and Unemployment Compensation, U.S. House of Representatives, Rayburn House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: I wish to express New York State's strong support for H.R. 7529, the "Short-Time Unemployment Compensation Act of 1980", introduced recently by Representative Schroeder and referred to your sub-committee for consideration. The concept endorsed in this bill is one which merits full review for its potential to reduce joblessness, and is a logical sequel to resereach requested by Congress in 1978 (Public Law 95–524). As the impact of the deepening national recession is increasingly reflected in the numbers of people unemployed it is essential that Congress enact this legislation to encourage states to develop programs which may mitigate the loss of jobs during economic downturns.

H.R. 7529 would authorize the Secretary of Labor to develop model legislation and to make grants and provide technical assistance to states to assist in developing, enacting and implementing the short-time compensation programs. By making these resources available, states would be encouraged to consider modifying the traditional UI system to provide benefits to partially unemployed workers.

For New York State, passage of this bill and the availability of tecnhnical assistance from the Federal government would be advantageous. A proposal is currently being developed by the New York State Department of Labor and the Governor's Office of Development Planning for a worksharing demonstration. The proposed program will be limited in size, closely monitored, and, most importantly, participation will be voluntary. While the demonstration program is still in the process of being designed, it is anticipated that enabling legislation will be sought for a New York State demonstration, which is essentially similar to the program authorized by H.R. 7529.

In addition to making available technical assistance, H.R. 7529 would also establish national guidelines and standards for states' programs in order to safeguard workers' rights and benefits, and to ensure the integrity of the Unemployment Insurance Trust Fund. The conditions for participation of employers and employees in "short-time unemployment compensation" programs appear to be both socially responsible and administratively modest. We believe this represents a realistic balance which should attract interest in the concept of subsidizing partial unemployment in the same fashion as we currently subsidize total joblessness.

The general provisions of the bill establish minimum standards that will ensure the rights of the employers as well as the individual employees. We are particularly supportive of the provision requiring union consent of employer plans where employees are represented by a union. The suggested quarterly payment or surtax charge for negative reserve accounts is also important if the solvency of state trust funds is to be maintained.

In New York State, however, a third category has been established for accounts that are not defined as either positive or negative. We would therefore recommend the addition of a reference to special account categories that may exist and an allowance for states to establish payment requirements for such accounts as may be appropriate. This would ensure the eventual participation of qualified firms in industries which are classified separately from either positive—or negative—fund accounts, when this legislation is enacted into law.

New York State has a keen interest in the area of short-time unemployment compensation. At the height of the 1974–75 national recession, the idea of initiating such a program within New York's Unemployment program generated substantial enthusiasm and support from business, organized labor and civic leaders as a viable and desirable alternative to layoffs. A legislative proposal was introduced during the 1975 state legislative session for implementation of a work-sharing program. It was regarded as technically deficient, however, and ultimately rejected. Subsequent improvement in the State's economy shifted interest from developing antirecessionary programs, to raising the benefit levels and shoring up the Trust Fund.

Recent events have brought renewed interest in work-sharing with partial unemployment compensation as an alternative to layoffs. The forecasts for severe economic disruption in the coming months and the success of the California shared work compensation program have given momentum to the development of a New York State shared work compensation demonstration program.

Representative Schroeder's bill, we feel, is significant for a number of reasons. It will provide vital encouragement for New York and other states exploring alternative strategies for a chronic and persistent social and economic problem. It will offer direction and financial assistance to the states to administer and evaluate the effectiveness and efficiency of the concept. It will ensure that workers' rights and benefits are secured.

In summary, H.R. 7529 will enable New York State's demonstration program to be an integral component of a nationwide demonstration that can adequately test the soundness of shared work compensation as an employment stabilizing tool during national recession. We hope you will act favorable on this bill.

Sincerely,

Hugh L. Carey,
Governor.

The American Jewish Committee.
New York, N.Y., July 11, 1980.

Representative James C. Corman,
Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means, Washington, D.C.

Dear Representative Corman: The American Jewish Committee is grateful for the opportunity to respond to your request for comments on Representative Patricia Schroeder's Bill, H.R. 7529—The Short-Term Unemployment Compensation Act of 1980, before the Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means, U.S. House of Representatives. We believe the adoption of this bill will mark an important step in meeting the needs of the rapidly burgeoning unemployed segment of American workers.

Enclosed is a copy of testimony prepared by Harry Fleischman, former Director of Labor and Race Relations, on this same subject which he presented on behalf of the American Jewish Committee (with which the National Urban League concurred) before a hearing of the National Commission on Unemployment Compensation on August 24, 1979 in New York City. Also enclosed is a copy of a letter from Benjamin Hooks, Executive Director of the National Association for the Advancement of Colored People, dated August 30, 1979, which supports our testimony on this subject.

In the months since that testimony was given, the necessity for a Bill such as H.R. 7529 has been more than amply demonstrated. Whereas unemployment in June 1979 was 5.7 percent, it has zoomed to 7.8 percent in May 1980, with 8,200,000 workers officially listed as unemployed. The increase in unemployment has been severe for both adult men and women, at 6.6 percent, the highest level since the 1975 recession. Unemployment for teenagers rose to 19.2 percent. Particularly hard hit have been blacks and other minorities, who are suffering an unemployment rate of 13.9 percent. The rate for black teenagers is an astronomical 35.2 percent.

A recent study by the University of Michigan for Governor William G. Milliken, according to the New York Times of July 9, 1980, said that the economic slump in Michigan was causing increases in heart disease, alcoholism, suicide and even murder. The brunt of the problem, the study said, falls not so much on the jobless person as on his family. Michigan's recession, which has produced the highest unemployment rate in the country, over 12 percent, could cause more than 19,000 deaths that would not otherwise have occurred at this time, the report concluded. Some have suggested that we wait to pass a law like H.R. 7529 until we have had an opportunity to more fully study the results of California's law along the same lines, which was adopted in 1978. We cannot agree. We are convinced that the reports already available on the successful workings of that law, plus our accumulated knowledge of the success of similar legislation in West Germany, Italy, Austria and Belgium, make it imperative that such modest legislation be enacted immediately.

Sincerely,

SEYMOUR SAMET,
Director, Domestic Affairs Department.

Enclosure.

TESTIMONY BY HARRY FLEISCHMAN, LABOR AND RACE RELATIONS DIRECTOR, THE AMERICAN JEWISH COMMITTEE, BEFORE THE NATIONAL COMMISSION ON UNEMPLOYMENT COMPENSATION, AUGUST 24, 1979, NEW YORK CITY

The American Jewish Committee is pleased to testify before the National Commission on Unemployment Compensation on the subject of using unemployment insurance to supplement voluntary work-sharing. We do this because we consider it vital to the welfare of millions of Americans.

WHY AJC IS CONCERNED

The American Jewish Committee was organized primarily to defend the rights of Jews and the question has been raised as to why it gets involved in problems of work-sharing and unemployment insurance. Perhaps that can best be explained by noting that the American Jewish Committee believes that the rights of Jews—and all other minorities—can be protected adequately only in a healthy and prospersous democratic society—one that can reduce tensions between various groups in our society.

In 1941, when A. Philip Randolph's threatened March on Washington by 100,000 black Americans induced President Franklin D. Roosevelt to issue an Executive Order for a Fair Employment Practices Commission (FEPC), what was being talked about was only a policy of nondiscrimination. Nevertheless, because of the urgency of war production needs, that FEPC program had a fair measure of success. Even Jews, who had previously been denied jobs in factories, got jobs in aircraft plants and shipbuilding yards.

When World War II ended, and Congress refused to finance FEPC, the focus moved to the states, and the American Jewish Committee, together with other Jewish organizations, the labor movement and black groups, campaigned for, and won, FEPC laws in many states.

The American Jewish Committee has devoted much of its resources over more than the past three decades to help eliminate discrimination and achieve full civil rights for all Americans, regardless of race, creed, color or national origin.

In 1963, when the March on Washington for Jobs and Freedom brought 250,000 black and white Americans together in a peaceful call for a civil rights bill, the momentum engendered by that march brought about the passage of the Civil Rights Act of 1964, including a program for equal employment opportunity. In all that time, the traditional position of civil rights groups, black and white, was to push for opening the doors to non-discrimination, assuming that that would solve the problem of generations of bias.

NONDISCRIMINATION NOT ENOUGH

Experience soon demonstrated that the legal requirement of nondiscrimination by itself was not sufficient to erase the accumulated burdens that has been imposed on the disadvantaged in America who have historically suffered from systematic discrimination. Therefore, the American Jewish Committee, the NAACP, the National Urban League, unions, other Jewish, Catholic and Protestant groups called upon Federal, state and local governments to mount special programs requiring employers and public and private institutions and corporations which received government funds, to undertake affirmative action programs that would recruit, train and upgrade those who have been historically disadvantaged or discriminated against, by reason of race, religion, national origin or sex. AJC pointed out that such action was very much in accord with the American tradition of giving special assistance to categories of people on whom society has imposed hardships and injustice, or who have special needs that could not otherwise be met. This was done historically for farmers, for veterans and for others.

FULL TO GET FAIR

But even as far back as 1965, the AJC position was that "Equal opportunity for all cannot be achieved unless we have full as well as fair employment, housing and education." Nevertheless, our assumption, and that of the entire civil rights constituency, was that America was in the midst of an expanding economy and that justice could be achieved by using a portion of that expansion to remedy past discrimination, without threatening living standards and rights of the majority population.

Our assumption at that time was correct. During the period of economic growth and high employment from 1960 to 1969, the median income of black workers doubled. The percentage of black families living in poverty declined from 56 percent in 1962 to 31 percent in 1969. Black unemployment dropped from 12.4 percent in 1961 to 6.4 percent in 1969. The combination of economic growth and affirmative action proved a winning one.

But now we face a new situation. Current unemployment (1979) is listed by government as 5.7 percent, a total of almost 6 million jobless workers. Among blacks, it is 10.8 percent. For black teenagers, it's 30.9 percent. And this does not include those who are no longer looking for work because of the discouragement of not being able to find jobs.

That is why in 1975, the American Jewish Committee reiterated its belief that full and fair employment for all is an essential ingredient of a democratic society, and called for immediate, comprehensive and effective back-to-work measures, including adequate stimulation of the private economy and the creation of substantial numbers of meaningful public service jobs. We welcomed such legislative proposals as the Humphrey-Hawkins Full Employment Act, and we called on Congress and the Administration to act promptly to rescue America from chronic mass unemployment and the hopelessness it creates. We are gratified that the Act was finally passed but are deeply concerned that it has not yet been implemented. And the current energy crisis and double-digit inflation make the recession we are now in deeply troubling.

UNTIL FULL EMPLOYMENT WHAT?

While full employment is our goal, what do we do until we achieve it? How can we apply the affirmative action principle in a period of economic recession?

Many companies laying off workers have collective bargaining contracts with unions, calling for strict plantwide seniority—i.e., last-hired, first-fired. Unions have fought for such seniority guarantees because of bitter memories of employer favoritism and union-busting. Besides, long-time workers, black and white, feel seniority is their "property right" on the job.

On the other hand, corporations are under legal obligation to honor Title VII of the 1964 Civil Rights Act, which bars discrimination in every aspect of employment. Minorities and women, last-hired because of discrimination, are disproportionately the first to be fired. A lot of white male workers are also hurting. Nevertheless, some have argued that there ought to be some kind of reverse seniority to prevent women and minorities becoming victims of continuing discrimination.

The U.S. Supreme Court has upheld seniority on the grounds that to hold otherwise would be to shackle white employees with a burden of past discrimination created not by them but by their employer. Nevertheless, tensions between white and black workers, and between men and women workers, are continuing to grow. In the 1974–75 recession, we saw black and white police officers in Detroit battling each other in the streets over jobs. With the current recession starting from a higher base of unemployment than the last one, who knows how much bloodshed and violence we may see?

WORK-SHARING

Many unions, like the International Ladies Garment Workers Union and the Amalgamated Clothing and Textile Workers Union have traditionally "shared the work" instead of sticking to a strict seniority system under which the last-hired is first-fired. The Newspaper Guild at the Washington Star-News in 1974 voted to go on a four-day week to avert layoffs. The New York Telephone Traffic Union also agreed to put 2,000 phone operators on a four-day week. "We'd rather have four days' pay with benefits continued than to have 400 people laid off without either pay or benefits," explained Joan Tallerico, union secretary. The Rochester, New York, Allied Building Trades Council called for a national 32-hour week in the building trades to "spread available jobs and keep many construction tradesmen off the unemployment lines—earning less each week but still working." Four-day work sharing plans have been adopted by scores of unions, companies and local governments throughout the country.

The United Auto Workers, the Rubber Workers and the Steel Workers have all negotiated Supplemental Unemployment Benefits (SUB), which, in the case of the UAW, provides laid-off workers with at least a year's seniority 95 percent of their regular wages in SUB and in unemployment compensation.

All of these work-sharing plans tend to minimize the economic and social impact of layoffs. But some unions fear that shortened work weeks will lead to a weakening of the will to achieve real full employment. What can be done to minimize the impact of layoffs and reduce tensions?

NEW APPROACH

All the programs we described above, with the exception of the SUB plans, were based merely on work-sharing. It would be nice if all workers had SUB plans, but they don't. The American Jewish Committee and the National Urban League urge another approach, one which reduces the economic costs and strain of work-sharing. We proposed that Federal and State governments use unemployment compensation to supplement work-sharing programs voluntarily adopted by unions and management. This could be along the lines of the Poses Plan and the California law, Senate Bill 1471, passed in July, 1978.

Under the Poses Plan and the California law, an employer—with the workers' and union's consent—could share among the work force the reduced amount of work available rather than lay off individual workers. For example, instead of laying off ten of a company's 50 employees, an employer could put all 50 on a four-day week, with each worker eligible to claim one day of unemployment compensation. Taking into account the reduction in taxes (no income tax on unemployment compensation), carfare and lunch costs, work-sharing employees will end up with between 90 and 95 percent of their full-time wage, retain their health insurance and other fringe benefits, and even go on paying union dues.

All that would be needed to make such programs work would be for the Federal government to impose on the regular Federal-State unemployment insurance system a one-day wage replacement standard, or for states to adopt laws roughly along the lines of the California law.

WHY SUCH A PROGRAM?

Why do we propose such a program?

(1) Because it allows more minority and women workers, usually last-hired and first-fired, to retain their jobs. This helps preserve the results of affirmative action employment that firms have undertaken in recent years.

(2) Because it provides greater income for those who would otherwise have been laid off completely than do normal unemployment insurance benefits.

(3) Because it would maintain the fringe benefits such as health insurance, life insurance and pension rights, that are dropped with full unemployment.

(4) Because it enables workers to continue accumulating job skills without serious interruption.

(5) Because it enables employers to maintain their work force, and thus avoid the hiring and training costs incurred when economic conditions improve.

(6) Because preservation of jobs and incomes would require lesser expenditures for public assistance to fully unemployed workers.

(7) Because it minimizes the social costs of unemploment in terms of added medical expenses, possible increases in the rate of crime, mental breakdowns and similar trauma.

EXAMPLES ABROAD

This is not a revoluntionary concept but a practical, worthwhile measure which has been used successfully abroad in many countries. What happened when Volkswagen's subsidiary, Audi, had to slash production? Business Week (Sept. 1, 1975) tells us: "If Audi were in the U.S. it would have simply laid off workers. Instead, Audi and most other German auto companies instituted an old practice of scheduling short weeks for all employees. The federal government pays workers, tax free, 68 percent of regular wages for all hours less than 40 a week that they work." Such share-the-work approaches do not meet resistance from senior workers, adds the magazine, "because working-class solidarity is inbred in Germany."

Italy also offers flat-rate payments of ⅔ gross pay for unemployed industrial workers and a special fund pays for 80 to 93 percent for hours not worked by employees on short weeks. In Austria, short time workers receive about 40–60 percent of the earnings foregone. In Belgium, the partially unemployed receive 60 percent of lost earnings. Similar programs exist in many other countries.

DEMONSTRATION PROJECT

When Lillian Poses, Eleanor Holmes Norton and I proposed to Secretary of Labor Ray Marshall and Assistant Secretary of Labor Ernest Green that the Labor Department undertake a demonstration project of the concept of using unemployment insurance to supplement voluntary work-sharing, we were delighted when they agreed to set up such a demonstration. That was before California passed its law on that subject. Nevertheless, we are disheartened by the Department's decision now to suspend that demonstration project. We feel it might have enabled the government and the public to explore facets of shared work compensation programs that vary from the California law.

For instance, how could we protect against employer abuse of such a system? The demonstration program was intended to include eligibility requirements which would exclude very small employers to prevent fraud, collusion and subsidization of marginal firms; limits on employers' ability to cut back hours; limits on employers' ability to hire new people while SWC is in effect; requirement that employers certify that no speed-ups will occur.

Such study is still necessary, and we hope that the National Commission on Unemployment Compensation will add its voice to those calling for such explorations.

PROBLEMS

We are not unminduful of the fact that programs along these lines raise many problems which have to be considered. Let's take a look at some which have been raised:

(1) It has been suggested that employers would not retain fringe benefits on shared work compensation. Perhaps. But in California and Canada, where SWC programs are in effect, not a single such case has yet occurred. Many employers are not so foolish as to cut off their noses to spite their faces. They want to maintain their work force, and dropping or reducing fringe benefits could lead to such results.

(2) Speed-ups. Some foresee that employers who have no unions among their workers would speed-up production. One letter I saw on this subject estimated that production speed-ups of 5 percent daily over four working days add up to 20 percent over the four-day week, thus producing as much as a normal five-day week. I pass over the arithmetical error. Five percent a day for four days still adds up to only five percent less production in the course of four days, not 20 percent. But more important, if employers could speed up the work by 20 percent, why would they wait to do so until they engage in work-sharing? Why don't they do it now? What's more, we could insist that employers certify, when placing workers on shared-work compensation, that they will not increase production quotas in order to maintain the normal levels of output, and we should create methods to enforce this.

(3) Since the highest five years or the last five years of a worker's income are usually the base for determining pension benefits, it is argued that shared work compensation would reduce the base and thus the final pension. That is a serious problem. One approach could be to include in collective bargaining agreements a provision that such shared-work compensation be considered as equal to full wages for the purpose of computing pension benefits. And if unionized firms do so, that may provide leverage even on a non-union firms, for if they fail too far behind, they render themselves susceptible to union organization.

OUR PROPOSAL

What then do we propose?

(1) That the National Commission on Unemployment Compensation recommend that the Federal government consider imposing on the regular Federal-State unemployment insurance system a one-day wage replacement standard; or that States adopt laws for the use of unemployment compensation to supplement work-sharing programs voluntarily adopted by unions and management, roughly along the lines of the California law.

(2) We urge consideration of Federal legislation to give an incentive to states to adopt innovative programs for unemployment compensation by providing small sums of general revenue if unemployment in a state goes above a trigger point, perhaps 4½ percent.

(3) We suggest eliminating the waiting period by providing that the employer give two weeks notice to the Unemployment Insurance office of any impending shared work layoff, and then enable workers so laid off to be immediately eligible for shared work compensation.

In conclusion, we do not view work-sharing as a cure-all. It cannot solve the problem of full employment. It will not eliminate the need for effective fiscal, monetary and other economic policies. But it would reduce intergroup tensions and bitterness and would stimulate many employers and unions to combat the misery of total layoffs for some, and would reveal to the world that America can be inventive in caring for people. And it would give us time to mobilize the coalition of conscience that can work effectively to win in America the full employment which can assure fair employment.

National Association for the Advancement of Colored People,
New York, N.Y., August 30, 1979.

Mr. Harry Fleischman,
East 56 Street,
New York, N.Y.

Dear Harry: Just a brief note to acknowledge receipt of copy of your recent testimony before the National Commission on Unemployment Compensation.

I was particularly pleased by the portion of your testimony which dealt with the necessity of finding alternatives to the standard seniority procedure utilized by most companies which mandates that the last hired would be the first fired. As you pointed out, this practice ofttimes means that the first to be laid off are blacks and women. I agree that the four-day work sharing plan which has been adopted by a number of companies and unions is far more equitable.

Once again, please accept my thanks for sharing your testimony with me. I look forward to working closely with you in the days ahead.

Yours for peace and progress,

Benjamin L. Hooks,
Executive Director.

Statement of The Associated Builders and Contractors, Inc.

The Associated Builders and Contractors, Inc. (ABC) is a nationwide trade association of more than 15,000 firms, with 68 local chapters throughout the United States. Its membership includes general contractors, subcontractors, suppliers, and associates who promote the Merit Shop philosophy, a concept which calls for contract award to the lowest responsible bidder.

ABC is opposed to any legislation which would extend the duration of unemployment benefits beyond the 39 weeks currently available under federal law. Specifically, we are opposed to H.R. 6540, which would require payment of up to 13 additional weeks of benefits to persons who are unemployed and who have exhausted their regular unemployment compensation (26 weeks) and Extended Benefits (13 weeks). We are also opposed to H.R. 6690, which would require payment of 26 additional weeks of benefits to persons who have exhausted regular benefits and Extended Benefits.

Unemployment compensation was initially conceived as a system to provide short-term cash assistance for temporarily and involuntarily unemployed individuals. H.R. 6540 and H.R. 6690 would attempt to remold the unemployment compensation system to meet the needs of the long-term and the structurally unemployed. We believe that by extending benefit duration for relatively long periods of time, this legislation would provide a disincentive for these individuals to seek the training or retraining that may be necessary for them to reenter the job market. This would be a disservice for both employers and employees.

ABC recognizes that the unemployment compensation system is an important component of this Nation's overall employment program. ABC also recognizes that there may be a need for extending the duration of unemployment benefits during times of severe economic recession. However, the present system, under the Extended Benefits Program, already extends benefits for three extra months for individuals who continue to be unemployed after six months. We think that nine months is a sufficient period of time for qualified individuals to find suitable employment.

Instead of providing disincentives for employment, ABC believes that the Nation must provide increased opportunities for persons able to work to prepare for and find employment. This can best be accomplished by providing incentives to the private business sector to create new jobs and to train individuals to fill those jobs.

In sum, ABC is opposed to any legislation, including H.R. 6540 and H.R. 6690, which would provide disincentives to individuals to seek employment by extending the duration of unemployment benefits beyond the 39 weeks currently available under federal law. We believe that the needs of the long-term and the structurally unemployed can best be met by providing incentives to the private business sector to expand their production capacities and thus create additional jobs.

STATEMENT OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

The National Association of Manufacturers welcomes the opportunity to submit comments on the proposed "Emergency Unemployment Compensation Act of 1980" (H.R. 6540 and H.R. 6690) and the "Short-Time Unemployment Compensation Act of 1980" (H.R. 7529).

The NAM is a trade association representing approximately 12,300 manufacturers nationwide, 80 percent of which are small businesses. In the aggregate NAM member companies employ 15.5 million persons in manufacturing—roughly 78 percent of all employees in manufacturing in the United States today. The National Industrial Council (NIC) which is affiliated with the NAM, represents an additional 158,000 businesses throughout the country. As such, the NAM and NIC are very concerned about any congressional proposals which could affect the employer-financed, state-administered unemployment compensation (UC) programs.

FEDERAL SUPPLEMENTAL BENEFITS

The NAM opposes the addition of any Federal supplemental benefits (FSB) to the UC system. Regular and extended benefits provide ample time for those with a genuine attachment to the work force to find and secure reemployment. Any such Federal initiative would be an unwarranted invasion into the operation of state UC programs and could jeopardize any hope of developing a sound system. The 1974–77 FSB experience was an extremely costly lesson for employers and the current $5.7 billion debt is a constant reminder of the financial havoc the program caused the UC system.

Employers should not be expected to bear the costs of long-term unemployment. The UC system is designed to offset the sudden and temporary loss of wages for a worker who, through no fault of his own, becomes unemployed. A basic minimum layer of protection is provided to workers in the form of cash assistance until they are reemployed. The UC system distributes the costs of such unemployment equitably among employers through experience rating and the dynamic nature of UC financing does not contemplate the added costs of catastrophic or prolonged unemployment.

Unemployment of longer duration than 39 weeks is symptomatic of far greater, more deeply ingrained, economic problems than those for which employers can reasonably be held responsible. Payments beyond the 39th benefit week exceeded the scope of unemployment insurance (UI) and assume the character of welfare benefits. Such payments are not related to the "earned right" concept inherent to UC benefits and, as such, have no place in the UC system. "Add on" programs like FSB can only serve to disrupt and undermine UC financing while preventing the long-term unemployed from relocating, or from accepting other suitable employment.

While the NAM opposes H.R. 6540 and H.R. 6690, should Congress nonetheless choose to adopt such a program in the face of strong industry opposition, the Association offers the following comments to the Congress and to this Subcommittee. These comments, however, should in no way be construed as tacit or implicit support for these FSB proposals.

H.R. 6540 AND H.R. 6690

Of these two bills. H.R. 6540 is by far a more workable approach toward implementing an FSB program. However, both bills present serious problems. What follows is a discussion of some of their weaknesses.

The permanent approach

Because of the dire cost implications associated with FSB programs, Congress should shy away from a permanent standby approach as drafted in H.R. 6540 and H.R. 6690. Despite the general revenue financing provisions included in the pending bills, there is nothing to prevent future Congresses from trying to charge these costs to employers; the NAM believes the potentially dramatic costs of a permanent program might compel the Congress to take such action. If an FSB program is developed, it should only be implemented temporarily to address the immediate economic downturn, and any interface between FSB and the UC programs should be as minimal as possible.

Area triggers

The use of area triggers in H.R. 6690 would create serious administrative and statistical obstacles to the implementation of an FSB program. The Interstate Conference of Employment Security Agencies and the National Commission on Unemployment Compensation both reject the use of localized area triggers. H.R. 6690 would require the development of an entirely new body of "labor market area" statistics, and collection of this data would be time consuming and costly. Technical determinations of who falls within a "labor market area" would be difficult; those unemployed living within, but having worked outside such an area, would present yet another set of problems.

If an FSB program is adopted by Congress, a state trigger mechanism would be the most realistic approach.

What trigger level constitutes "catastrophic unemployment"?

There is considerable debate over this question and no clear policy has emerged. The National Commission agrees with the 5 percent IUR state trigger taken in H.R. 6540. In our view, the 5 percent figure is too low to reflect catastrophic unemployment, but the 10 percent IUR in H.R. 6690 may be too high. If Congress has genuine interest in carefully allocating FSB benefits, thought should be given to separate trigger levels for each state. A 5 percent IUR in Alaska might not be considered catastrophic, but in Oklahoma it might. Trigger levels should be determined by each state's prior unemployment experience and should not be set on an arbitrary basis.

The question of duration

H.R. 6540 provides for 13 weeks of benefits and H.R. 6690 provides for 26. The effects of varying durations on job search and work disincentive are just becoming known. Few useful studies have been undertaken in this area. However, one new analysis done for DOL may be of value to Congress in considering the FSB issue. The study, "Extending Unemployment Insurance Benefits During Recessions: Lessons From the FSB Experience" (Mathematica Policy Research, May 1980); reveals some disturbing facts about past experience with FSB:

The overall conclusion then, is that the FSB program did increase the average length of unemployment spell experienced by UI recipients. The extent of that increase was at least two and one-half weeks and perhaps significantly more if participation effects are taken into account. When applied to the 10.4 million individuals who collected a UI first payment in 1975 that figure implies there were about 25 million more weeks of unemployment that year than there would have been in the absence of FSB. In other words, about 6 percent of the total weeks of unemployment experienced by the civilian labor force in 1975 was attributable to FSB. Without it, the overall unemployment rate that year would have been 7.9 percent instead of the 8.5 percent officially recorded.

If Congress chooses to implement an FSB program, the Association would urge lawmakers to select the 13 week option rather than the 26 week plan. Evidence reveals that longer duration leads to longer spells of unemployment.

Criteria for FSB benefits and some thoughts on administration

During the 1974–77 FSB program, much concern was expressed in Congress over the receipt of FSB benefits by secondary wage earners, retirees, and those unwiling to seek reemployment. This was not the intended purpose of FSB but such abuses were not uncommon during the 1974–77 experience. If Congress enacts an FSB program, emphasis must be placed on utilizing strict eligibility and disqualification criteria for receipt of these benefits, as was done in 1977 under Public Law 95–19.

Rather than deferring to state UI laws as H.R. 6540 and H.R. 6690 do, Congress should establish strict "suitable work" and job search criteria to prevent old abuses from recurring. Any individual who fails to accept any offer of "suitable" work, or who fails to actively seek work, should be disqualified from receipt of FSB.

Suitable work should be defined as any offer which pays at least as much as the average weekly benefit amount or which pays at least the minimum Federal wage, or any applicable state or local minimum wage. It is unrealistic for a worker who has been unemployed for three quarters of a year to hold out for the optimum job offer.

The imposition of strict Federal search and suitable work requisites would not by itself guarantee the sincerity of jobless workers' efforts to secure reemployment. A mandatory job search and retraining program should be coordinated between state Employment Security administrators and private sector employment agencies; all FSB recipients should be required to participate in these programs. Because of the nautre of long-term unemployment in some parts of the country, private sector retraining programs may be the only solution to return affected individuals to the work force. Retraining programs should not be oriented to the public sector or be constituted as "make work" public employment programs. The long-term unemployed should be trained for meaningful and productive private sector employment.

Computation of the IUR

H.R. 6540 provides that the IUR be derived "by dividing the average weekly number of individuals filing claims (including claims for extended compensation and additional compensation) for weeks of unemployment . . . by the average monthly covered employment for the specified period." This computation method was deemed unacceptable by the Administration and through a standard rule-making procedure was changed in February 1980. The original method for computing the IUR by including both regular and extended benefit claimants produced artificially high IUR's. This resulted in an earlier triggering "on" of extended benefits and a later triggering "off." It is estimated that had the rule change been in effect since 1974, the savings would now have exceeded $1 billion. There is no justification for returning to the old computation method as drafted in H.R. 6540. The Association believes the rule change was conducted in a manner wholly consistent with established administrative and regulatory procedure. The new computation method of counting only regular UI recipients should be used for FSB as the sole component of the IUR.

H.R. 7529, THE SHORT-TIME UNEMPLOYMENT COMPENSATION ACT OF 1980 (STCA)

This bill would encourage states to provide voluntary work sharing programs to employers anticipating layoffs. Under this type of proposal, if a company was forced by economic circumstance to reduce its work force, rather than laying off workers, the firm could reduce its workweek to four days; employees would then receive prorated UC benefits for lost hours. H.R. 7529 directs the Secretary of Labor to develop model legislation and to make grants and offer technical assistance to states in developing short-time compensation programs.

To press for enactment of this proposal before reasonable data and research have been collected would be imprudent public policy. Only one state, California, has a work sharing program and not enough is known about its successes or failures to proceed with any legislation at the national level. A report will be issued on the effects of the Californai work sharing program and it is our understanding that the Secretary of Labor has research ongoing in this area. Congressional deliberation on short-time compensation should be postponed until there is a greater understanding of its potential impact on the UC system and on work patterns in general.

The NAM opposes H.R. 7529 as drafted. The bill has several shortcomings and drawbacks which we believe could substantially damage and disrupt the UC system.

Experience rating could be threatened

As written, the STCA could jeopardize the experience rating system. Sec. 3 (b)(4) says that states may impose a surtax on negative balance employers participating in an STC program. Currently 19 states do not use reserve-ratio experience rating systems and could not determine over time whether or not an employer had a negative balance. If a state could not determine that an employer had a negative balance and a surtax was not imposed, who would pay the additional costs to UC programs? We believe the costs would be socialized and defrayed by non-STC employers. In addition, employers in certain industries who already pay maximum tax rates might be able to use STC plans without paying the added costs of such programs.

For most employers, their state UI tax has a direct correlation to their employment history. Once this relationship is diminished through "add on" programs like STC plans, the objective of experience rating is lost. This not only damages the equity of current state UC financing methods, but also adversely affects job security, which experience rating promotes. Once the incentive to contain costs has been diminished, the job stabilization attributes of experience rating are also threatened. The financing arrangement in H.R. 7529 would not be self-sustaining. Costs would increase disproportionately with revenues of the state UC trust funds.

STC plans could prevent the partially unemployed from finding fulltime jobs

While STC programs might curtail layoffs, they would also eliminate the potential for a partially unemployed worker to find a full-time job. The reemployment capabilities of state UI and Employment Security agencies should not be underestimated, and jobless workers themselves may secure new work. The advent of STC plans could prevent partially unemployed workers from finding constructive full-time employment and, in the longrun, could slow the reemployment process despite economic improvement.

STC plans could fuel declining productivity

Wide use of STC plans could detrimentally affect future productivity by establishing the pattern toward a reduced workweek. As drafted, there is nothing in H.R. 7529 to prevent an employer from reducing his workweek by one half. Because UC benefits in lower income brackets are not taxable, lower wage earners especially might find the reduced workweek under STC to be an attractive alternative to full-time employment. Prorated benefits for this category of wage earners could come fairly close to replacing regular, take-home pay.

In essence, the thrust of the STCA is to curtail layoffs during periods of reduced productivity, a common byproduct of a recession. Extensive adoption and use of STC plans could prolong, if not impede, efforts to increase productivity by altering work patterns.

When can STC plans be used?

The absence of triggers in H.R. 7529 suggests that such plans could be used at whim by any employer that foresees a 10 percent or greater reduction in his workweek. Multi-plant employers could juggle the program from one location to the next and sporadic use of STC plans could be costly and difficult to administer. The absence of any controls on the use of STC, aside from sheer benefit exhaustion by employees, is one of the bill's primary weaknesses.

STC plans would distort the IUR

The IUR remains the only reasonably accurate indicator that UI administrators have to gauge unemployment. The addition of STC participants could significantly distort this critical indicator. Since the IUR is also the triggering mechanism for extended benefits, it is not inconceivable that broad use of STC plans could needlessly trigger on extended benefits in a given state.

In conclusion, the NAM has some serious reservations about the potential impact of work sharing. We believe broad use of the concept as drafted in H.R. 7529 could have an adverse effect upon UC programs, productivity, and the work ethic in general. If the financing and use of work sharing was on a strictly reimbursable basis, we believe most employers would be reluctant, if not unwilling, to participate. In addition, the whole concept of UI protection is negated when a worker is slowly exhausting his benefits while still on the job. What protections remain after that?

STATEMENT OF THE NATIONAL COMMISSION ON UNEMPLOYMENT COMPENSATION, WILBUR J. COHEN, CHAIRMAN

The National Commission on Unemployment Compensation will be finalizing this weekend its policy positions on the list of subjects on its mandate from the Congress. It has established positions on the two general subjects before the Subcommittee at these hearings, and these positions are reported to you.

SUPPLEMENTARY EXTENDED UNEMPLOYMENT COMPENSATION

The Commission strongly recommends the enactment of legislation to provide for a supplementary program of extended unemployment compensation, payable to claimants who have exhausted Federal-State extended benefits. Such program would trigger on only in the event of a 4.5 percent seasonally adjusted insured unemployment rate in a State or a 5 percent insured unemployment rate nationally. The Commission recommends that Congress monitor the operation of such program and, within 2 years after it first becomes operative, provide for its continuation, modification or repeal.

The general specifications for such program would be:

A. The Commission supports the basic principle of a program to cover individuals who have exhausted regular unemployment insurance and Federal-State extended benefits (generally to begin at week 40 for individuals with regular unemployment insurance duration of 26 weeks).

B. *Financing.*—Financing would be from general revenues.

C. *State trigger.*—The program would include a State trigger.

D. *National trigger.*—The program would include a national trigger as well as a State trigger.

E. *Trigger rates/duration of benefits.*—

(1) State trigger would be set at 4.5 percent insured unemployment rate, seasonally adjusted. The 20 percent factor in extended benefits would not be used.

(2) National trigger should be set at 5 percent insured unemployment rate, seasonally adjusted.

(3) Basic duration set at 50 percent of regular unemployment insurance entitlement, with overall duration including regular unemployment insurance and extended benefits of up to maximum of 52 weeks; and

Additional duration of 50 percent of regular unemployment insurance entitlement, with overall duration including unemployment insurance and extended benefits of up to maximum of 65 weeks is provided when State insured unemployment rate is 5 percent or higher, and when national insured unemployment rate is 5.5 percent or higher.

F. *Duration of supplementary extended benefits program.*—The program should be enacted without an automatic termination date, but to include a provision for review by the Congress after two years of operation.

G. *Calculation of insured unemployment rate.*—The Commission was evenly divided as to whether the calculation of the insured unemployment rate should include the count of extended benefits and supplementary extended benefits claimants.

AREA TRIGGER FOR SUPPLEMENTARY EXTENDED BENEFITS

The Commission is opposed to using local labor market areas as the basis for eligibility for and payment of any system of supplementary extended benefits. In addition to major and costly administrative considerations, there are also serious questions relating to equity among claimants.

From its inception, the unemployment insurance program has been grounded upon the State as the fundamental unit of jurisdiction and administration. The area proposal violates this principle both within a State and between States, since many major standard metropolitan statistical areas (SMSAs) straddle parts of two and even three States.

Politically, there is always great resistance to special treatment for just one part of a State. This would be particularly true in a situation in which substantial cash benefits would be paid to certain unemployed workers and not to others with identical qualifications. There would also be payments under the interstate benefit plan to nonresidents, just over the State line or removed to more distant localities, but not to a resident of the State whose most recent employment was within the State although not in the designated area.

A system that draws lines around parts of a State would be totally unacceptable to workers who share all other benefits and responsibilities within a State's borders and from a public relations point of view, be virtually impossible to justify.

For example, consider the situation of a group of construction workers, all members of the same union locals, working for a single employer with many worksites within a given State. The workers are moved back and forth among worksites as the need for the various crafts occurs. The worker's right to extended benefits would be determined by the happenstance of the location of the site at which he was last employed.

There are now almost 500 CETA prime sponsor areas with populations of at least 100,000. To create and administer a program with a 50,000 population base would obviously increase that number considerably. It would require establishing and maintaining on a quarterly basis area data with respect to employment of all workers in covered employment, and on a weekly basis a count of the insured unemployed. It would also require that every local office in the Federal-State unemployment insurance system keep track of the current trigger status of every local area, with the need for identifying areas as they trigger "on" and "off." The administrative cost would be very considerable and the possibility of error quite high.

WORKSHARING/SHORT-TIME COMPENSATION

The Commission has given consideration to proposals to amend State unemployment compensation laws to permit payment of partial benefits in cases where individuals work three or four days a week as part of so-called "worksharing" plans. California and Arizona have enacted provisions in their State laws to permit experimentation and evaluation of such "worksharing" plans.

The Commission has not taken a position in favor of or opposed to such plans. As you know, States are currently free to include such arrangements in their State laws on a pilot or permanent basis and to evaluate them. The Commission recommends continued study and evaluation of various partial benefit provisions including worksharing proposals. In its report, it is urging States, the Department of Labor, and research organizations to participate in such studies and evaluations and to invite employers, labor and public response to them.

STATEMENT OF THE NATIONAL EMPLOYMENT LAW PROJECT

The National Employment Law Project, Inc., ("Project") is the Legal Services Corporation support center that specializes in the employment and unemployment problems of poor and low-income people. Unemployment Insurance is one of the Project principal areas of concentration.

The Project, on behalf of its clients, supports the general concept, embodied in both H.R. 6540 and H.R. 6690, of providing emergency unemployment benefits beyond the 39 weeks presently available under regular and federal/state extended programs.

The Project reserves judgment on the "short-term compensation" approach taken in H.R. 7529 until such time as the California experience can be studied and evaluated.

The Project would like to briefly comment on the provisions of H.R. 6540 and H.R. 6690.

H.R. 6540

Proposal: Emergency benefit periods will last for a minimum of 13 weeks.— A payment period of 26 weeks is necessary due to the severity of the present recession and the large numbers of persons who have exhausted their regular compensation and extended benefits (EB). The Federal Supplemental Benefits (FSB) program, providing for a minimum payment period of 26 weeks, was created in late 1974 when the national unemployment rate stood at 7.2 percent. With the current unemployment rate at 7.7 percent, the present recession promises to be no less severe than that of 1974–77. Enactment of a 13 week period would only result in the need for future amendments as economic conditions worsen.

The underlying cause for any extension of benefits is that economic conditions beyond the control of the worker have resulted in contraction of the labor market and rising unemployment. The labor market consequence is that there are more people competing for fewer jobs. Thus, increased unemployment means increased difficulty in finding suitable work. Given the stratification of the labor force, leaving women, minorities and youth at the bottom of the skills ladder with the highest levels of unemployment, the duration of benefits is a particularly crucial issue for encouraging job searching and for basic economic survival outside the welfare system.

A 26 week emergency period is a reasonable and necessary amount of time in light of both legislative precedent and the purposes underlying the extended benefits programs. Thus we urge that H.R. 6540 be modified to provide for a 26 week emergency benefit period minimum.

Proposal: The amount of entitlement will be the lesser of 50 percent of the total amount of regular compensation or 13 times the weekly benefit amount (WBA).—In view of the varied and often inadequate benefit levels and maximum weekly amounts set by the states, the amount of entitlement under this emergency program, as well as under all unemployment insurance programs, should be a uniform amount that would guarantee adequate wage replacement for the duration of the benefit period. The formula proposed in H.R. 6540 is similar to that for the extended benefits (EB) and the old federal supplemental benefits (FSB) program. It ties the emergency benefit amounts to state laws, thereby perpetuating the existing inequities between the states. Formulae employing high earnings requirements, arbitrary base periods, or low-wage replacement rates, often tend to be based in favor of high-income workers. Yet short of a major reform to institute comprehensive federal guidelines to require uniform benefit amounts, the Project believes that these inequities could best be reduced by increasing the duration of benefits to 26 weeks, as recommended earlier. Thus, we urge that the amount of entitlement under H.R. 6540 be the lesser of 100 percent of the total amount of regular compensation or 26 times the weekly benefit amount (WBA).

Proposal: Emergency benefits would be activated by State trigger when the insured unemployment rate (IUR) reaches 5 percent for 13 weeks.—The Project urges that the bill be modified to provide for a national as well as a state trigger. The program is intended to provide for additional emergency benefits during times of high unemployment. The problem of unemployment in an interdependent economy is a national one. Particular industries may suffer nation-wide cutbacks due to economic conditions which have differing effects on the various states but have similar effects on workers in that industry. A national trigger would account for economic factors such as these which are beyond the control of local employers and employees. Common sense and equity dictate that persons unemployed throughout the nation for the same economic reasons be treated alike for purposes of this program. For these reasons we urge the addition of a national trigger to H.R. 6540 provisions.

Second, the definition of the Insured Unemployment Rate (IUR) should be revised to ensure that all persons filing for all benefits—regular, extended, emergency and additional—be included in the calculation. While H.R. 6540 specifically includes claims for "extended compensation", the term "additional compensation" is ambiguous because it could refer to either additional benefits which are paid in the states or to all other benefits. The language and intent can be readily clarified by use of the phrase, "all claims for benefits".

We strongly feel that all insured, unemployed claimants should be included in the IUR computation, both under the extended benefits program and under this emergency benefits proposal. The exclusion of large classes of UI claimants from the IUR measurement underestimates the number of unemployed workers. Further, it negates the anti-recessionary goal of these extended programs, by delaying the dates when benefits trigger "on" and shortening the duration of benefit periods. In addition, this exclusion would disproportionately affect minorities, women, and youth; they are usually the first to be laid off and therefore would be among the early, uncounted exhaustees, increasing the possibility that they will never receive emergency benefits. Accordingly, we urge a revision of the language in H.R. 6540 to specifically include emergency benefit claimants in the IUR calculation.

Lastly, the Project would like to recommend that the trigger levels be lowered for H.R. 6540 purposes as well as for the extended benefits program. As more persons become unemployed and exhaust all their unemployment compensation benefits, the insured unemployment rate (IUR), reflecting only the numbers of insured unemployed, becomes an increasingly less accurate reflection of the nation's unemployment problem. Although these exhaustees often remain unemployed and are still looking for work, they will not be counted in the calculation of the IUR simply because they are no longer eligible to receive unemployment insurance benefits. Thus, as the recession deepens and more persons exhaust their benefits, the IUR grows less and less valid as a triggering tool for countercyclical unemployment benefit programs. To account for this trend, we urge that the IUR trigger levels be adjusted downward in all extended benefit programs, and specifically recommended the establishment under H.R. 6540 of a state trigger level of 4.5 percent IUR and a national trigger level of 5 percent IUR.

H.R. 6690

Proposal: Emergency benefits would be activated by a "labor market area" trigger when the IUR reaches 10 percent for 4 weeks.—"Labor market area" is defined as an area designated by the Secretary of Labor as having a population over 50,000. The Project is encouraged by the efforts of Rep. Hillis to increase the protection for the long-term unemployed. Yet we believe that the area trigger concept would be both administratively unfeasible and highly inequitable. In addition, the Project feels that the 10 percent IUR trigger would neglect the countrys' overall employment problems.

Although the area concept would appear to target pockets of very high unemployment such as might occur in major industry lay-offs, it would require implementation of a totally new IUR computation system based on as yet undefined labor market areas. It would mandate the IUR computation of unemployment insurance claimants according to last area of employment, rather than according to the last state of employment as is presently done. In addition, the labor market area definition could conceivably result in arbitrary denial of benefits to workers commuting from a sparsely populated area to work in a contiguous labor market area. Another anomalous result might be that where a single industry lay-off triggers benefits within one area, all the unemployed within that area would be entitled to emergency benefits regardless of whether they worked for the affected employer, while similarly situated workers outside the area would not receive the benefits.

Further, the 10 percent IUR trigger level, which would translate into a total unemployment rate of at least 13 percent, fails to address the overall problem of widespread, prolonged unemployment. A more realistic approach that sets meaningful trigger levels and reaches more persons would in most cases encompass the catastrophic situations sought to be targeted in H.R. 6690. The Project, therefore, opposes the specific concepts advanced in this bill, and encourages the adoption of a more comprehensible emergency benefits program closer to that proposed in H.R. 6540.

Conclusion

The Project considers the immediate establishment of a third tier emergency unemployment program a necessary and important step in the face of our worsening economy and rising unemployment. Workers who through no fault of their own become unemployed and who face increased difficulties in finding other suitable jobs due to national economic conditions must be provided some measure of protection from prolonged joblessness. We congratulate Representatives Brodhead and Hillis for their efforts in this direction.

In our view, H.R. 6540 proposes the most viable program for easing the burden of long-term, high unemployment. We support its adoption, and urge that our proposals for modifications be given serious consideration.

[Mailgram]

NATIONAL URBAN COALITION,
Washington, D.C., July 2, 1980.

JOHN MARTIN,
Chief Counsel, House Committee on Ways and Means,
Longworth House Office Building,
Washington, D.C.:

Minority unemployment has risen at an astonishing and intolerable rate from 12.6 percent in April to 13.9 percent in May. H.R. 7529 providing for the use of unemployment insurance to supplement shortened work weeks can help black Americans and other unemployed people remain at work. We urge you to report this bill out immediately.

M. CARL HOLMAN,
National Urban Coalition.
RICHARD HATCHER,
Mayor, City of Gary.
DOROTHY HEIGHT,
President, National Council of Negro Women.
Rev. JESSE JACKSON,
President, Operation PUSH.
JOHN E. JACOB,
Executive Vice President, National Urban League.
Rev. LEON SULLIVAN,
Chairman of the Board, OICS of America.

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